THE Freeman

IDEAS ON LIBERTY

SEPTEMBER 1959

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MEMO ON PRIVATE ENTERPRISE

No. 9 in a series

"... more business activity by Government ... means less business by private enterprise"

Public versus private ownership and operation of transportation enterprises is the real issue in proposals now before the 86th Congress to increase the size and weight limits of the taxpayer-subsidized parcel post system, the Senate Post Office Subcommittee was told in June.

William B. Johnson, President of Railway Express Agency, said the 120-year-old nationwide express business could not survive the dire economic and competitive effects of a Senate bill, S.1306. It would increase from 20 to 70 pounds the weight of individual parcel post packages moving by mail between most first class post office cities in competition with privately-owned common carriers. The average weight per piece of express, he noted, is only 26 pounds.

"The principle of more business activity by Government," Mr. Johnson asserted, "carries the result of less business by private enterprise."

"It is hoped," he said, "the Congress will not put the Government further into the transportation business for the benefit of businessmen who subscribe to private enterprise but do not wish to pay their way under it."

It was noted that the parcel post shippers seeking to expand the Government service currently have opposed the Postmaster General's request to the Interstate Commerce Commission to wipe out the $100.8 million parcel post deficit. It does not include some $65 million in parcel post costs paid by other Government departments and likewise borne by the taxpayers for the benefit of the commercial parcel post users.

"Self-interest," Mr. Johnson observed, "is, of course, a first law of life, but we urge that the Subcommittee critically scrutinize the advocacy of an expanded Government service when the advocates are so vigorously endeavoring to prevent adjustments in the money-losing rates for even the *present* service."

His reasonable request was that the Agency not be made to suffer any new Government competition and that all parcel post costs be included in the parcel post rate-making base.

For a free copy of the informative booklet, "The Truth About Parcel Post," address the Public Relations Division,

RAILWAY EXPRESS AGENCY

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A PRIVATE ENTERPRISE IN THE PUBLIC SERVICE

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THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

SEPTEMBER 1959 Vol. 9 No. 9

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But What Can I Do about It?

or, How to shape public opinion yourself.

J. KESNER KAHN

MOST PEOPLE are aware that our Way, the American Way of Life, is being seriously challenged – that if something isn't done, things will get worse instead of better. There may not be agreement on which issue or issues are the most crucial, but among those most frequently mentioned are apathy, conformity, lack of a sense of responsibility, racial conflict, inflation, internationalism, socialism-communism, juvenile delinquency, automobile accidents, government spending, monopoly unionism, foreign competition, and the like.

Yet, we find even those persons most seriously concerned asking this question: "But what can I do about it?" I'd like to have a nickel for every time I have heard this expression from those who earn more than I do. I say it this way to emphasize the fact that so many people, whose capabilities in business fields far exceed mine, plead full ignorance in the all-important business of fulfilling their duty as American citizens.

Salesmen who make hundreds of contacts before they make a sale, advertisers who are happy with a few orders per thousand broadsides mailed, fishermen who will go to any lengths in the mere hope of landing the big one, become very different people when it comes to performing their civic duties. Here, they seem to expect immediate and overwhelming results with a minimum of effort. They underestimate the competition.

Mr. Kahn, a businessman from Chicago, is perhaps best known for his "Letters to the Editor."

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The grafter, the subversive, and the special interest groups have much to gain by imposing their wills upon legislators and upon the public; and what they gain is immediate. You and I, who want the blessings of liberty secure for ourselves and our posterity, perhaps are less aware of what we gain by defending and advancing Americanism.

Whatever the reason, the fact remains: people seem to like to believe that they can't do anything — so they do nothing. Yet, what each person is capable of doing, and has the ability to do, is most substantial.

Sound Opinions, Well Expressed

First, you must have an opinion, as soundly based and firmly established as possible. Second, you must see that this opinion is expressed in public, for an unknown opinion has no more value than any other form of unknown wealth.

Most of us aren't going to hire a hall, put on our own TV show, or even write a book. But we can, at least in conversations, say we are not convinced (when we aren't), and let those who have made a good point know that we think they have done well. Even those who would remain least involved can do this much. Psychologists have demonstrated that six or seven people, in agreement or disagreement, determine the degree of certainty with which a person holds a conviction. Never underestimate the power of an expressed indication of approval or disapproval.

You are busy, but you do read widely to keep informed. Good! As you read, mark articles, underline cogent phrases, check summarizing paragraphs. Then, send these on to others. If you have time, include a note such as, "This also confirms what you said," or "You may be right, but there does appear to be another side." Formal letters of transmittal are seldom necessary. Just mail these materials where you think they would do the most good.

You may doubt the effectiveness of this technique until you see an editor, to whom you have sent a mailing or two, permanently alter his policies; or a legislator change his vote on an issue. Or, a friend who has been in disagreement with you will come around one day and say: "You know that last item you sent really has something to it. I never thought of it that way." And still people ask: "What can I do about it?"

If most of us did just this much, the principles and institutions of Americanism wouldn't be as contorted and corroded as they are now. Of course, you could go much further. You could refrain

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from letting purely commercial considerations "force" you to contribute and support movements and actions that you know are wrong. You could initiate correspondence with governmental officials, trade association executives, and editors.

Voluntary Cooperation

No matter how "big" or "small" you may consider yourself, realize that you may be the sole initiator-sponsor of an idea – and that if you stop, everything stops. On the other hand, unless others join you eventually, you probably won't get far. And this works both ways; for others need support, too. This you can do. You can support those who are supporting what you believe is right.

We can think of ourselves as voluntary members of a voluntary army, each of us deciding how much we can afford to give in time and wealth – how much we can afford not to give. Just because it is a voluntary affair, we must each be responsible for doing our duty, helping others who are also working and fighting in our behalf, doing our share of the work and the fighting. Again, because it is all voluntary, we must support ourselves, and we should be willing to give help to those who give so much in time and effort that they need our support.

The big question is not, "What can I do about it?" but rather, "How can I possibly afford not to do something?" That you refrain from doing anything does not mean that your opposite number, on the other side of the issue, will also refrain. You surely can be as effective in shaping public opinion as can your opposite number; and since he is active, you cannot afford to be otherwise.

You can go far, if you just keep putting one foot ahead of the other. In this business of being a Citizen, START! KEEP MOVING! and you'll find you have really begun to "do something about it." • • •

IDEAS ON LIBERTY

The Importance of the Individual

THE IDEAL of freedom is not a fanciful myth. It is thoroughly attainable in a practical way. And it will be more readily attainable if we quit regarding those we wish to convert as either masses or classes, and recognize the individual person as the fountainhead of good, of energy, of all that is creative.

HENRY GRADY WEAVER, *Talking to Ourselves*

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CULVER SERVICE

SIR STAMFORD RAFFLES OF SINGAPORE

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His lengthened shadow fades.

GEORGE WINDER

SINGAPORE, an island 27 miles long by 14 miles broad, on which is situated one of the great cities of the world, has this year become a self-governing state, although it remains nominally within the British Empire and allows the British to retain certain defense bases on its territory.

With the abdication of the British, more than a century of free enterprise on the island has come to an end.

A year or so ago, when the people of Singapore first obtained a great measure of self-government, they introduced protective customs tariffs. Now, with the victory at the polls of the left-wing Socialist People's Action Party, the first Premier of the independent state – Cambridge-educated Lee Kuan Yew – has announced his intention to "industrialize" the island, a process which will require high tariff barriers, combined with the introduction of an unprecedented measure of state control over the economic system.

The history of Singapore's century and more of free enterprise is surely one of the greatest practical vindications of libertarian beliefs. The city was born of free enterprise, and practiced it – with its concomitant, free trade – even before the Repeal of the Corn Laws in 1846 established that system in Great Britain; and it continued to do so after free enterprise had ceased to be the economic policy of the protecting power.

The man who first foresaw the commercial advantage of this tiny island at the end of the Malay Peninsula, with its fine roadsteads for shipping, and established there a great free port, was Stamford Raffles. The son of a British sea captain, he joined the East India Company at the age of fourteen as an office boy at its Leadenhall-street headquarters in London.

When twenty-four, he was sent

Mr. Winder, formerly a Solicitor of the Supreme Court in New Zealand, is now farming in England. He has written widely on law, agriculture, and economics, his most recent book being *A Short History of Money*.

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out to the Company's office at Penang. Here he studied the native languages, and soon advanced himself in the esteem of his superiors. In 1810, he visited Calcutta, where he won the confidence of the Governor-General, Lord Minto. In 1811, a British force set out from Malacca to capture the island of Java from the Dutch, who had been forced to ally themselves with Napoleon Bonaparte. Raffles was appointed Intelligence Officer to this expedition.

Six weeks later the expedition had accomplished its task, and Lord Minto, to the surprise of some of his more orthodox officials, appointed Stamford Raffles as Lieutenant-Governor of the newly-acquired territories. Certainly, this was a great advance in life for a young man of thirty, with only six years experience in the East, and before that an office boy in Leadenhall-street.

After Waterloo, Java was returned to the Dutch, and Raffles received a knighthood. But – owing, it is believed, to the jealousy his rapid rise had aroused – the only position found for him was that of Resident for the East India Company at Bencoolan, an unimportant trading post in Sumatra. Here, however, he busied himself with the project of finding a suitable port for Great Britain's growing traffic with the East.

In 1819, he entered into a contract with the Sultan of Johore for the sale of the island of Singapore to the East India Company for 60,000 Spanish dollars (£13,-500) and a life annuity of 24,000 dollars. (Incidentally, it is from this same Spanish dollar that the American currency is derived.)

Official Opposition

But this straightforward purchase of the island was nothing compared with Raffles' difficulty in persuading the British government to recognize the transaction. As soon as Lord Hastings – the successor to Lord Minto – heard of the matter, he wrote to the Governor of Penang saying that, in face of the protests received from the Dutch, Raffles had no right to seek a trading post in such an area, and instructions were given that, "if the post has not yet been obtained, he is to desist from any further attempt to establish one."

We are told that the British Cabinet was also "excessively angry," and Raffles would almost certainly have been forced to abandon the port except for the influence of the commercial community in The Straits which stood behind him solidly. Frank Swettenham, onetime Governor of the Straits Colony, in his book, *British Malaya,* tells us concerning the establishment of Singapore:

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"In all this, no British party and no British government can claim to have taken part, except by grudgingly assenting to what had been done, almost without their knowledge, entirely against their wishes."

Seven years after Raffles signed his first contract with the Sultan of Johore, which finally resulted in bringing Singapore into the British Empire, he died in England at the age of forty-five, and, as Swettenham tells us, "no one knows where to find his grave."

Faith in Freedom

Such is a brief outline of the career of Stamford Raffles. What it does not mention is perhaps his greatest quality – his complete and reasoned faith in the system of free enterprise.

It was while he was Governor of Java that this first disclosed itself. The Dutch had always held the trade of that island as a fee of the Netherlands. Raffles always allowed complete freedom of trade. He also altered the conditions of land tenure, so that individual – as distinct from communal – holdings were encouraged. He also abolished slavery on the island. His five years of rule in Java were long remembered as a period of great prosperity and progress.

But it was at Singapore where he so impressed the people with his philosophy that free enterprise become the unquestioned form of the island's economy almost until the present day.

His motive for purchasing the island was that it might be the center for complete freedom of trade, in contrast to the protected and controlled system which he had seen in the Dutch possessions, and which, with the return of Java to their rule, he feared would be more complete than ever.

We obtain some conception of the ideals which burned in the soul of Stamford Raffles from an interchange of letters with merchants of the island when Raffles was leaving Singapore in 1823. The merchants had written: "To your unwearied zeal, your vigilance, and your comprehensive views, we owe at once the foundation and maintenance of a Settlement unparalleled for the liberality of the principles on which it has been established, principles the operation of which has converted, in a period short beyond all example, a haunt of pirates into an abode of enterprise, security, and opulence."

Perhaps these are formal sentiments, suitable for the occasion. But here is a passage from Sir Stamford's remarkable reply:

"It has happily been consistent with the policy of Great Britain, and accordant with the principles

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of the East India Company, that Singapore should be established as a free port; that no sinister, no sordid view, no considerations either of political importance or pecuniary advantage, should interfere with the broad and liberal principles on which the British interests have been established.

"Monopoly and exclusive privileges, against which public opinion has long raised its voice, are here unknown, and while the free port of Singapore is allowed to continue and prosper, as it hitherto has done, the policy and liberality of the East India Company, by which the Settlement was founded, and under which protection and control it is still administered, can never be disputed.

"That Singapore will long and always remain a free port, and that no taxes on trade or industry will be established to check its future rise and prosperity, I can have no doubt. I am justified in saying this much, on the authority of the Supreme Government of India, and on the authority of those who are most likely to have weight in the Councils of our nation at home."

It must be remembered that, when this letter was written, the mercantilist system with its protective customs barriers existed in every country of the world, including Great Britain. Adam Smith was not long dead, and the Repeal of the Corn Laws was still an event of the future. If Adam Smith was the first to advocate free enterprise, Stamford Raffles was the first administrator to put the system into practice.

Tribute in Four Tongues

But, fortunately, times were changing. Twenty-three years after that letter was written, Great Britain followed the example of Singapore in adopting, as her declared economic policy, the system of free trade and free enterprise. In 1850, Singapore came under the more direct control of the Governor-General of India, who visited the island in person. This particular proconsul happened, very fortunately, to be a Scottish peer strongly imbued with the principles of his countryman, Adam Smith. He had once served on the Board of Trade under Gladstone and was one of those responsible for the Repeal of the Corn Laws.

As a memorial of his visit, an obelisk was erected in Empress Place, near the center of the city, which is remarkable for recording – in four languages: English, Malay, Chinese, and Tamil – the basic faith on which the city of Singapore was founded.

It commences with the Governor-General's distinctions – but no matter, we will give the inscription

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in full, for he deserves some of our thanks for the message it contains. Here it is:

Erected
by the European
Chinese and Native
Inhabitants of Singapore
to commemmorate the visit
in the month of
February, 1850
of the most noble
The Marquis of Dalhousie,
K.T., Governor General of
British India
on which occasion
he emphatically recognized
the wisdom of liberating
commerce
from all restraints
under which enlightened
policy
the Settlement has
rapidly attained its present
rank
among British possessions
and with which
its future prosperity
must ever be
identified.

"The wisdom of liberating commerce from all restraints"! Never has the basic principle of free enterprise been expressed more clearly and briefly, and certainly never in stranger surroundings, than on that obelisk under the palm trees in one of the great cities of Asia.

And, for over a hundred years, that principle remained as the very guardian spirit of the city of Singapore, so that it flourished exceedingly. From the poverty-stricken haunt of pirates it grew, in a few years, into one of the world's greatest ports, with a population of a million souls, enjoying a standard of living admittedly far higher than in any other part of Asia. In its busy streets, although Chinese predominate, are representatives of nearly all the races of the world, from the bearded Sikhs who direct the traffic, to Gurkhas from Nepal, and Maoris from faraway New Zealand, on leave from their stint in the jungle where they guard the island from communist bandits.

The Lesson Forgotten

On all sides can be found proof of the productive power of free enterprise, even on a small island with poor soil and few natural resources. Yet today this great and populous city has forgotten those principles which ensured its prosperity and has turned its back on the faith of its founder. Lee Kuan Yew, with the aid of protective tariffs and the intervention of the government, will now turn Singapore into an industrial state.

When principles are forgotten, the practices to which they give rise cannot long survive. The end could have been foreseen when, a

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few years ago, the city held a great festival to celebrate the return of British rule after the Japanese occupation. For the occasion it received a spring-cleaning. All the public buildings were painted, and all its monuments were scrubbed. All save one: the obelisk on which, just one hundred years before, had been inscribed, in four languages, the faith that gave the city life!

This monument – which is probably the most significant in the British Empire, for it explains much – was left untouched beneath the grey lichen it had accumulated over the years, forgotten by all but the trade winds. Today, in the whole of Asia, the principles it acclaims survive only in the British city of Hong Kong.

Before ending, let us return to Stamford Raffles. We shall always honor him for his great libertarian views; but what kind of a man was he in his everyday life among his friends? Let the native historian of Malaya – Abdullah Abdulkadir – who knew him well and once served him as a scribe, speak for him. In his 400-page history, Abdullah tells us how, in 1823, he said farewell to Raffles on the ship which was to take him home to England to die:

"That day, to part with Sir Stamford Raffles was to me as the death of my parents. My regret was not because of the benefits I had received, or because of his greatness or attractions; but because of his character and attainments, because every word he said was sincere and reliable, because he never exalted himself or depreciated others. All these things have remained in my heart till now, and though I have seen many distinguished men, many who were clever, who were rich, who were handsome – for character, for the power of winning affection, and for talent and understanding, I have never seen the equal of Sir Stamford Raffles. Though I die and live again, I shall never see his peer." • • •

IDEAS ON LIBERTY

The Protectionist

"MR. ELEPHANT, won't you please raise your foot? You are standing right on top of me," pleaded a wee ant.

"What an ungrateful person you are," rumbled the elephant. "Don't you realize that none of your enemies can get at you, so long as you are under my foot?"

"Get off!" stormed the ant. "If standing on my neck is your idea of protection, I can get along without it."

W. E. MACLAREN, Warren, Ohio

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THE RELIGIOUS FOUNDATION OF A *Free Society*

EDMUND A. OPITZ

WE LIVE IN a time of great uneasiness, when the values of the free society which we cherish are being seriously challenged; challenged not only by imperial communism abroad but also by dubious ideologies here at home. Even if by some miracle the communist challenge vanished overnight and the international scene ceased to trouble us, there is every reason to believe that we have enough domestic problems to keep us busy for the next generation.

Outwardly, everything seems prosperous. Nearly everyone who really wants to work can find a job. Automobiles are bigger, faster, and more numerous. Restaurants and places of entertainment are crowded. There are increased opportunities for travel and recreation. In the cultural fields of religion and education, there is much activity. New church buildings are springing up everywhere, and increasing numbers of people are participating in religious activities. In education, likewise. Year by year, we are spending a larger proportion of our income on schooling. More young people are in college every year, and communities all over the land are engaged in a mighty school building program.

All of these things should give us a sense of satisfaction; but they don't. There is probably more discontent now among our people than at any time in the history of this country. We view with alarm the rising incidence of crime and juvenile delinquency, the mounting problems of alcoholism and drug addiction. Then there is inflation, causing prices to rise while at the same time it dilutes the value of our savings accounts and insurance policies. Government grows larger all the while, marking the stampede away from personal responsibility which occurs at all levels of life.

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education.

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A recent writer has remarked that "this is the goof-off, the age of the half-done job. Our land," he continues, "is populated with laundrymen who won't iron shirts, with waiters who won't serve, with carpenters who will come around some day maybe, with businessmen whose minds are on the golf course, with teachers who demand a single salary schedule so that achievements cannot be rewarded nor poor work punished, and with students who take cinch courses because the hard ones make them think." How did we get ourselves into such a mess, and how can we get ourselves out of it?

Perhaps the most helpful way to face up to our present situation is to look at our past history. If we wish to recover faith in ourselves and in our free society, we must understand what this faith is and what it meant to earlier generations. A new nation was brought forth upon this continent. What was it like, and what was the source of its strength and idealism?

During the nineteenth century, the world of the defeated and the oppressed looked to America as a land of liberty and justice for all. In large numbers, people came here to find freedom for themselves and for their children. It goes without saying that they didn't always find what they were seeking; reality, here as everywhere, fell short of the professed ideal. But even when the ideal failed to show through the practice, it was never wholly without influence; for this ideal was inscribed in a basic national document, the Declaration of Independence, for all to see and many to memorize.

Emblem of American Ideals

The Declaration of Independence was once the emblem of American idealism. The America of a former day was not a mere place; it was more than a geographic area. America was a world-wide symbol of the enduring human quest for a country in which each person might be free. Most of us refer to the Declaration now and then and do so with reverence, but how many of us have read the Declaration of Independence recently and read it carefully? It is worth reading and re-reading and it repays careful study.

The Declaration, in paragraph 1, refers to "the laws of nature and nature's God." In paragraph 2, the signers of the Declaration say that, as far as they are concerned, they believe or accept as axiomatic, the proposition that the Creator endowed men with certain rights. Other men might hold that "rights" are granted by the State, or else have a purely naturalistic

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basis; "we hold" that these rights have a supernatural derivation, i.e., they are God-given. The Creator is sovereign. In other words, our Declaration of Independence has a built-in religious dimension; and the importance of this fact is underscored by the absence of a similar dimension from a comparable document issued in 1789, thirteen years after our own Declaration, the French Declaration of the Rights of Man and of Citizens.

A Study in Contrasts

The French Declaration, wishing to set forth "these natural, imprescriptible, and unalienable rights" says: "The national assembly doth recognize and declare, in the presence of the Supreme Being, and with the hope of His blessings and favor, the following sacred rights of men and citizens." It will be noted that, although the Supreme Being is mentioned, he is invoked as a mere gesture of formality; he is not acknowledged as the source of human rights. What then is this source according to the French Declaration? Paragraph III tells us. "The nation is essentially the source of all sovereignty; nor can any individual, or any body of men, be entitled to any authority which is not derived from it." The French and American Revolutions are, in short, based on contrary principles.

The American dream was not of a sovereign people, which in practice comes down to mere majority rule; the American dream has at its center the individual person, endowed by God with certain rights which no other individual nor combination of individuals may properly transgress. Government itself must respect these individual rights, and government serves the ends of freedom and justice by punishing any trespass on these private rights.

This same respect for the individual and this recognition of his rights and immunities which we find in the Declaration is reflected also in our Constitution. The men who drafted the Constitution did not design a streamlined political structure. James Madison and the others had been once burnt by government, and they were twice shy. They created a political structure in which the federal government was to be internally self-governed by three separate but balanced powers, and the several states were to retain their original sovereignty in order to act as a counterpoise to the central authority. This entire political equilibrium was balanced on the sovereign individual; the only excuse for government was to secure him in his rights. The Founding Fathers knew that

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a free government implies an unfree people, so in the interests of personal liberty they pinned down their government to strictly limited, defined, and delegated functions.

A Great Religious Tradition

Where did the Founding Fathers get this generous estimate of man? They were students of history, and we know from their writings that they were thoroughly acquainted with the social and political institutions of ancient Greece and Rome. But we also know the Founding Fathers could not have derived their vision of a free society composed of sovereign persons if they had not looked beyond the institutions of ancient Greece and Rome, for both these societies were founded on human slavery. Hilaire Belloc, the historian, describes this aspect of the Greco-Roman world: "The structure and stuff of society was based upon and rooted in slavery. . . . Slavery became a mechanical and oppressive burden weighing upon the human spirit and giving its tone to all." Then came Christianity into this world, and the power of ancient despotism was weakened. Christianity starts from man as an individual person, endowed with an immortal soul striving for its salvation. Wherever this doctrine is accepted, there is no longer a nation composed merely of oppressor and oppressed. Before the State, there is now the person, and above the State, there is God, his love and his justice common to all men.

The Founding Fathers were the inheritors of a great religious tradition and the American dream of a society of free men was largely a projection of that religion. This is how the original American equation got its built-in religious dimension. But this equation no longer balances because the religious elements in it have been discarded or forgotten. In a sense, we have been merely coasting on a momentum once given to us and with which we have now lost contact. Such an analysis helps us understand, I think, the discontent and uncertainty to which I referred earlier.

A Solid Foundation

The American dream was built upon a religious foundation. And this was noted by a young Frenchman who came to these shores to study us back in the 1830's, Alexis de Tocqueville. "Religion," he said of us, "is the first of their political institutions." Political liberty is the limitation of government to the securing of men in their rights, and because these rights derive from religious premises, political liberty needs to rest on a

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religious foundation. To employ a figure of speech, political liberty is a check drawn against the capital stock of our religious heritage. When a check bounces, the inference is that there are no funds in the bank. Similarly, we cannot go on drawing upon our religious heritage unless we systematically replenish it. How do we rehabilitate our religious heritage?

I wish it were possible at this point to offer you a simple answer. I wish it were possible to say that all we need to do is go back to church. But the answer is not so simple. Many of the most articulate church leaders of our time are part of the problem, not part of the remedy. They have sought to use the churches for their own ends, and so we are often presented with a counterfeit faith. But there are churches of all faiths which "proclaim liberty throughout the land," and at least they point the direction in which we must look for our answers. The men of such churches once created the American dream, and the men of such churches today can, if they will, recreate it. • • •

The Farmer's Two Masters

THE FIGURES which tell what government is doing in agriculture are both staggering and impressive. Here is a story that is almost hard to believe.

In Indiana, for instance, a farmer can grow corn which is partially under government control and partially free. Chickens which are sold in a free market are fed on a farm which produces wheat from allotted acreage. Hogs and cattle graze over a pasture which next year will be planted to soybeans, a crop which receives price support. There are thousands of acres of vegetable and truck crops grown in this state. Millions of

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bushels of fruit are sold freely from farms with controlled crops just across a fence.

This sort of system cannot continue forever. The statistics show the day of decision is much closer than many professional agricultural workers and politicians like to admit. With a total farm income of about $12,000,000,000 last year, the Commodity Credit Corporation now has an investment of about $8,900,000,000 in price-support programs. By the end of the year, the government may have an investment in crops equal to the entire agricultural income for that year. This nation once tried to accommodate two opposing economic and human systems. In a wracking convulsion, it decided that men must be free, that no nation can live half slave and half free.

The farmers of America face that same choice today. As the country did some 100 years ago, the farmer has avoided the decision by compromise while hopefully waiting for some solution which will be pleasant to all. This is no more likely to occur in the fields of America than it occurred in the political world of a century ago.

Sooner or later, the farmers of this state and the rest of the nation must choose which they prefer – freedom or complete government control. Slavery is a hard word which will have to be admitted by some later generation of men who will find that strict government control does mean enslavement, if they are foolish enough so to choose.

Those who feel they can evade this inevitable decision should be reminded that it was put in words which will always have direct meaning and application: "No man can serve two masters; for either he will hate the one and love the other; or else he will hold to the one and despise the other."

The choice is that clear and plain. The farmers of this country must, we believe, choose freedom. How can anyone think otherwise, and honestly believe in these United States of America? • • •

From *The Indianapolis Star*, June 13, 1959.

IDEAS ON LIBERTY

The Revolt of the Masses

SUPPOSE that in the public life of a country some difficulty, conflict, or problem presents itself, the mass-man will tend to demand that the State intervene immediately and undertake a solution directly with its immense and unassailable resources.

JOSE ORTEGA Y GASSET

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HENRY HAZLITT

ortrait of Russia?

A VISIT to the Soviet exhibition at the New York Coliseum raises more questions than it answers. A visitor sees, for example, a Russian-made automobile. But what does this tell him about the comparative state of the Russian and American motor industries? What does the Russian car cost to produce? How does it run? Is it actually in mass production? How many are turned out? How many Russians could afford one?

American automobile engineers tell us that the Chaika, for example (a car made only for officials), is not mass produced, that there is no original engineering in it, that the Russian designers are imitating even our mistakes. But most of the questions above are questions that even an American engineer cannot answer. A better expert is someone who has lived in Russia. Max Frankel, who spent two years in the Soviet Union as correspondent for the *New York Times*, tells us that a visitor to the Russian show can see far more there in two hours than *he* was able to see in his two years in Russia – "far more especially of the stuff of Soviet wishful dreams."

Image of Abundance

"The products and models at the exposition are . . . a distinct surprise to someone who works and travels in the Soviet Union. . . . The Soviet exhibition strives for an image of abundance with an apartment that few Russians enjoy, with clothes and furs that are rarely seen on Moscow streets, and with endless variations of television, radio, and recording equipment, cameras, and binoculars that are not easily obtained in such quality or range in Soviet stores. . . . The men and women employed as guides have been hastily dressed in American suits and dresses and shoes. . . .

"The restraint in showing toys and drugs and household goods reflects the low priorities assigned to such goods in the Soviet Union. . . .The large, sleek Packard-like limosine Zil is produced exclusively

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for chauffeured government duty. The small Moskvich advertised as an 'economy' car would cost a Russian worker at least a year's wages and many years of patient waiting. . . .

"The majority of Russian city folk must still live in communal apartments, four and more to a room, sharing bathroom and kitchen with two and more families. . . . Few Russians enjoy built-in kitchen cabinets like those in the model apartment. A few similar sets caused a sensation in Moscow last year when imported from Finland. . . . Shower curtains are hard to find. . . .

"A visit to the Soviet Union exposes glaring paradoxes of ugly slums and palatial subways, muddy roads, and huge jet planes. These contrasts are glossed over at the Coliseum."

Real Facts on Output

To those who have followed factual studies of the Russian economy there should be nothing surprising in this report. In *Newsweek* of May 27, 1957, I discussed the careful study of Professor G. Warren Nutter covering 37 leading industries, from which he concluded that "Soviet industry still seems to be roughly three and a half decades behind us in levels of output and about five and a half decades in levels of per capita out-put." More recent studies have shown that in Russia there is one agricultural worker for every 10 sown acres as against one for every 60 sown acres in the U.S. Yet Russia produces only a third as much meat and half as much grain per capita as the U.S. The Russian occupies less than a fifth as much dwelling space as an American. Most families have only a single room in which all members sleep.

These facts reveal how ludicrous are the Russian claims that they are about to equal or surpass us in "peaceful production" or living standards for their people. In this respect they are still enormously behind not only the U.S. but nearly every country in Western Europe. But we should carefully distinguish between production for peace and production for war. In the latter, Russia has made giant technological strides – precisely because she has put that goal first.

And in propaganda, she is enormously our superior. She can put on an exhibition that gives false impressions of merit, whereas our own exhibition at Brussels exhibited and apologized for our slums, and the new one at Moscow will have a painting lampooning our generals. • • •

Newsweek, July 20, 1959

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WHY

SOCIALIZE OUR ECONOMY ?

Mallory Cross Johnson

A *Fortune* editor, reporting last year on a visit to Russia, made this comment about his discussions with "the Russian bosses": "The tough proposition to argue with them is our reasons for *not* socializing large areas of our life and economy...." Significantly, he noted that the Russians had all the answers in any discussions of capitalism versus socialism.

Although the United States presumes to speak for and defend the "free world" against communism, how many of us can give any good reasons for *not* socializing our way of life? Large areas of our lives and economy have already been socialized, mostly without our realizing it – perhaps *because* we didn't realize.

To oppose an idea effectively, one must first understand what it means. "To socialize" means to turn over to government officials the ownership or control of the means of production and distribution. Theoretically, both socialists and communists aim at eliminating all private property, and all income other than wages: no profit, rent, or interest allowed to individuals. Theoretically, too, the State is supposed to "wither away," but all history shows that, as a nation has become more socialized, the State has become more powerful.

Why not socialize our economy? Here are at least two vital reasons for choosing liberty:

1. *Socialization restricts freedom of choice, thus destroying opportunities for the material, moral, and spiritual development of the individual.*

2. *Socialization keeps the standard of living for all below what it would be under a system of private ownership with free exchange.*

There can be little doubt about the first reason. With government officials owning or controlling an economy, the individuals who make up that society find most – if not all – areas of their lives controlled and directed by their rulers. The

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Mrs. Johnson, formerly of the Foundation staff, continues her study of freedom from Torremolinos, Spain.

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freedom of choice left to a person in even the most basic areas diminishes as socialization increases.

Choices of food and clothing are limited to what the rulers decide to produce, and are further limited by faulty planning and failures to produce the quotas demanded. Choice of shelter is first limited (public housing goes to those approved by the government), then lost entirely. A man is allotted space which is his on sufferance. Recently, Boris Pasternak, the Russian poet and writer, has been threatened with the loss of his home, apparently because he was offered the Nobel prize for a book his government didn't like. In Great Britain, the Compulsory Purchase Act has led to such injustices as forcing owners to sell houses worth up to $5,000 to the government for as little as $1.40 each.

When the means of entertainment – magazines, radio, television, sports – become controlled, even if not owned, by government, then a person's leisure hours are likewise restricted as to freedom of choice. For example, the Federal Communications Commission has withheld for years permission to the companies that would like to set up Pay Television. This means that a person's liberty to buy high quality entertainment, or even education, is being restricted. When the State supports or controls or actually opposes a Church or religion, one of our most vital choices is restricted to a degree.

Whether or not a person believes that man is a spiritual being, he usually believes in some degree of moral restraint. Most people, most of the time, refrain from lying, cheating, stealing, murdering. They have learned that they will live more comfortably and produce more efficiently if each tends to his own business. Dishonesty and violence are rightly seen to be disruptive forces. The materialist is disturbed to see the robber unfairly enriched; the religious person sees the robber destroying his own soul.

Limited Choice

Socialization, by planning a person's life for him – housing, job, pay, recreation, insurance, pension – leaves a minimum of opportunities for moral choice. And moral character can be developed only by the choices a man makes when he is free.

The very basis for moral choice is destroyed when there is no private ownership. If property belongs to the government, it belongs to everybody – which means *nobody* feels responsible for it. Evidence can be given from widely different sources. In the United States, many public schools have

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been severely damaged by school boys—broken windows, fires, hoses left running inside overnight, or smashed desks. In "public" parks, benches are stolen, statues are defaced, fountains are broken. A similar attitude toward government property is exhibited in socialized countries behind the iron curtain, and even in Britain. On one nationalized project, workers took home whole sacks of cement with the comment that since it's nationalized, "it belongs to me as much as anybody."

People Robbing Themselves

The January 1959 *East Europe* had this to say about crimes against socialized property behind the iron curtain: "Among the 'crimes' now flourishing in Eastern Europe, few are so common or flagrant as those involving the misappropriation of 'socialist' property. (Roughly, all the assets owned by or at the disposal of the State, state enterprises, and other public institutions are 'socialist' or so-called public property. This would include most of the property in communist Europe.) Indeed, if it is true, as the communists contend, that the abolition of capitalism and the introduction of 'socialism' made the people the actual owners of national property, then it would seem that a virulent form of insanity was spreading like wildfire among the 'People's Democracies.' For, throughout the area, these misguided owners are senselessly robbing themselves of huge amounts of money and materials in state factories, state offices, state farms, and all state institutions.

"The obvious conclusion to be drawn from this phenomenon is that most East Europeans do not identify the State's property or interests with their own. On the contrary, they regard this property as the possession of a hated and privileged minority and, for a variety of reasons and resentments, consider it their right to 'make use of it' for their own private purposes whenever the need or occasion arises."

By restricting freedom of choice, an incalculable number of material advances are delayed, distorted, or prevented. Inventions may never be developed because the inventor was not free to seek financial backing from those willing to take the risk. Or the backers may refuse to go ahead with production because it is too costly to comply with myriads of licenses and other red tape. Hitler's National Socialist Republic of Germany reached the point where multiple copies of *forty* different forms had to be filled out just to import one item. Many businessmen in the United States today

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hire full-time employees just to keep track of the many state and federal labor and tax regulations. *U.S. News & World Report* prints two columns every week telling businessmen what the government says they can and cannot do.

Other losses, both material and moral, occur when freedom to choose one's job is affected by government control. Subsidies to inefficient farmers (or featherbedding union labor), for example, may cause untold amounts of waste of land, seed, fertilizer, and other resources. Without the subsidy, the same men might have become efficient milkmen, chemists, or college professors, thus contributing to society instead of withdrawing more than they put in. The subsidized are, in effect, bribed to *not* develop their own highest potentials.

Now let us examine the second reason for opposing socialization. It keeps the standard of living below what it would be under a system of private ownership with free exchange. This is the inevitable result of bureaucratic, as opposed to profit-and-loss management. Dr. Ludwig von Mises has shown unanswerably (in *Socialism, Bureaucracy,* and elsewhere) that the former is the only kind of management possible with government ownership of property.

The fact that Russian scientists were able to get Sputnik into orbit as soon as they did, provides no evidence as to a high standard of living. A socialized society *can* build great dams, big bridges, ICBMs. But what of the millions of individuals who become little better than slaves to produce such achievements? The socialists and communists have adopted their form of government in order, they say, to free men from their "exploiters," to bring men "a better life."

Surely a "better life" can be defined as one in which men live lives of their own choosing, subject only to the restriction that they not interfere with each other's choices. To call the reverse, which amounts to slavery, a "better life" is an absurdity. A better life depends on being free to earn and own property if men wish, as well as to use it or dispose of it as each sees fit. And by property I mean anything that can be exchanged in trade: goods, ideas, land, wages, services, money, tools.

Profit-and-Loss Management

Granted private property and the opportunity of free exchange, businessmen develop a system of profit-and-loss management. That means that if a producer is able to find buyers for his product at a price that allows him a profit on a transaction, then he is contribut-

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ing to society, and buyers will support him in that business as long as they are satisfied. He may get very rich; he may expand into a world-wide enterprise; he may become the only seller of that particular product; but as long as such a position was arrived at honestly, without any government-granted privileges, then the producer has earned justly all that he may have.

The "Russian bosses" would, of course, deny that. What do they propose instead? Socialization. And what are the results? They are indicated in the following comparisons of output between Russia and the United States over the last 43 years, as reported in *U.S. News & World Report,* March 1, 1957, pp. 52-53.

In nearly every example, the Russians of 1913 were more productive, relative to the Americans, than were the Russians of the Socialist Soviet Republics in 1955. Yet, some people would socialize the United States for fear that Russia is getting ahead of us!

Why has the Russian government fallen so far short of its goals? Is it that the men carrying out the successive Five Year Plans were not clever enough, or not zealous enough, or not experienced enough? They had power – all of it, and enough labor – all the Russian people, and enough time – forty years.

But they also had bureaucratic management. That means they had, and have now, no freely fluctuating price system, except in isolated spots where it has been allowed out of necessity. Therefore, the planners had no way of knowing whether or not any given enterprise was making a profit or loss. Which means they had no way to tell how, when, or where scarce raw materials were being wasted. Nor had they any fair way to distribute goods.

Number of Years that Russian Production Lags Behind U.S. Production, 1913, 1937, 1955

	1913	1937	1955
Steel Ingots	21 years	32 years	29 years
Electric Power	13	21	16
Crude Petroleum	14	26	34
Mineral Fertilizers	43	24	16
Paper	44	47	54
Butter	21	38	35
Boots & Shoes	23	44	44
Woolen & Worsteds	43	67	69

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This dilemma of socialization is like sailing the seas without a compass.

There is no way out of this dilemma. A bureaucracy must be run by strict rules. Persons of initiative and imagination have no place in office: only blindly faithful servants. That is sufficient if the government is limited to police functions, but economic affairs cannot be run successfully in that fashion.

The Function of Prices

Prices, in a free market, are indicators which help the producer plan his course of action. He tries to buy materials at as low a price as possible, and to sell his finished product at as high a price as he can get. Though prices are not determined by costs, costs must be recovered in the long run or the producer will be forced out of business. In a socialized economy, the government does not go out of business, but instead, the standard of living is reduced for all as a consequence of wasted resources.

Without a free market, how can a government official decide what prices to set on all the goods and services? George Shea, referring to the possibility of price controls in the United States, shows what a problem it is even in reference to a few items (*Wall Street Journal*, April 6, 1959):

> "When prices are studied by an agency seeking to control them, it must try to analyze those very economic forces which if left to themselves do the setting of prices. The agency cannot act in a vacuum. It must seem to act in a nonarbitrary fashion. But its task is to find an answer different from the one the economic forces have found – or there would be no reason for its existence. Thus, it must take account of the economic forces, but also must render a decision in effect stating that one or more of these forces are wrong, thus in actual fact doing a completely arbitrary thing."

In a purely socialist State, should butter be sold for 5¢ a pound, or $2.00 a pound? Nobody knows what the cow cost: it was allotted to the collective by the State. Nobody knows what the hay cost: it was distributed by the State. Who can tell what the transportation cost? The trucks are owned by the State. Nor is there a free market price to reflect the supply-demand situation. The truck driver, dairyman, and farmer are paid partly in produce, partly in housing, and partly in cash. What is the price paid for their labor? The whole problem must remain insoluble.

Without the possibility of profit or loss, the producer cannot discover whether the consumer wants more – or less – of anything. In a free market economy, financial loss

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is an immediate and powerful indicator of waste. No matter what the cause, this fact makes it clear that something has been made which too few, if any, want to buy at the asking price. As an economy is socialized, or controlled, the clues of price and profit are removed, so that producers must make their plans blindly.

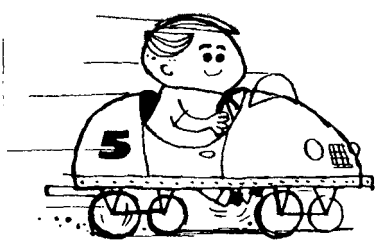
It is absolutely necessary to know costs and market prices in order to avoid waste and achieve a rising standard of living. Every bit of wasted material signifies wasted human energy. That energy could have gone into producing something that would have been used instead of being left to spoil. New ideas, new inventions, new processes, discovery of new resources, more efficient use of old resources, are all necessary to maintain an expanding population. These things are achieved automatically and naturally when men have freedom of choice.

When men are free to earn, to save money that does not lose its value, to invest in capital equipment, to labor or to provide jobs for others as their judgment and ability dictate, then they can produce bounty from the earth. A sense of responsibility will develop as each decision is made. During well-earned leisure, men can develop themselves, their minds, and their spirits.

Socialization limits man's material comfort, degrades him morally, and may end by breaking his spirit. Those are some of the reasons for *not* socializing our life and economy. • • •

"I want to be a Consumer"

PATRICK BARRINGTON



"And what do you mean to be?"
The kind old Bishop said
As he took the boy on his ample knee
And patted his curly head.
"We should all of us choose a calling
To help Society's plan;
Then what do you mean to be, my boy,
When you grow to be a man?"

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"I want to be a Consumer,"
The bright-haired lad replied
As he gazed up into the Bishop's face
In innocence open-eyed.
"I've never had aims of a selfish sort,
For that, as I know, is wrong.
I want to be a Consumer, Sir,
And help the world along.

"I want to be a Consumer
And work both night and day,
For that is the thing that's needed most,
I've heard Economists say.
I won't just be a Producer,
Like Bobby and James and John;
I want to be a Consumer, Sir,
And help the nation on."

"But what do you want to be?"
The Bishop said again,
"For we all of us have to work," said he,
"As must, I think, be plain.
Are you thinking of studying medicine
Or taking a Bar exam?"
"Why, no!" the bright-haired lad replied
As he helped himself to jam.

"I want to be a Consumer
And live in a useful way;
For that is the thing that's needed most,
I've heard Economists say.
There are too many people working
And too many things are made.
I want to be a Consumer, Sir,
And help to further Trade.

"I want to be a Consumer
And do my duty well;
For that is the thing that's needed most,
I've heard Economists tell.
I've made up my mind," the lad was heard,
As he lit a cigar, to say;
"I want to be a Consumer, Sir,
And I want to begin today."

Copyright *Punch*, Ben Roth. This portrayal of the natural consequences of the Keynesian economic philosophy first appeared in the April 25, 1934 issue of *Punch*, two years prior to publication of Keynes's *General Theory of Employment, Interest, and Money*.

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A Canadian neighbor offers some sobering thoughts for all Americans concerning . . . .

The Welfare State Doctrine

P. M. Fox

BUREAUCRACY is by no means limited to Washington; we have a full and spreading measure of it in Canada. Here are some figures.

The Ottawa government had 195,390 people on the public payroll in 1958: a jump of 10,000 over 1957. The 10,000 added to the payroll in 1958 were equivalent in number to all the workers making automobiles in the vast General Motors plant at Oshawa, Ontario.

In the ten years since 1948 the number of people on the Ottawa payroll has been increased by 62,000 or nearly 53 per cent. In the twenty years since 1938 the increase has been 136,000 or 309 per cent. Our population growth since 1938 has been 55 per cent.

Through the last twenty years, in peace or war, good times or bad, Ottawa thus has added to the public payroll an average of 6,800 people every year. That yearly increase alone is 2½ times the total of our company's full-time employees in 1958, and we are not a small company.

But the Ottawa payroll is only part of our bureaucracy. We also have the multiplying numbers attached to provincial and municipal governments. These are difficult to ascertain but I believe it a cautious estimate to say that ordinary government payrolls throughout the country in 1958, paid out of taxes, totaled over 400,000 people.

The 400,000 compares with some 60,000 workers in 125 pulp and paper mills across the country, and pulp and paper is Canada's biggest

Mr. Fox is President of the St. Lawrence Corporation, Ltd. This article is taken from his annual report to shareholders in Montreal, April 15, 1959.

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industry. In fact, the 400,000 considerably exceeds the combined total of workers employed in Canada's twelve leading industries as listed in the latest Canada Year Book.

And the 400,000 is by no means the full story; it represents only the ordinary departments of government.[1]

Our multiplied and multiplying bureaucracy in Canada is an offspring of what has become known as the Welfare State, a pseudonym for state socialism. The Welfare State also breeds overspending and inevitable inflation. The combination of welfarism, bureaucracy, and inflation is now our top danger.

If we in the Western world ever succumb to aggression, economic or military, it will not be due to the aggressor; it will be from our own debilitation. When we surrender self-reliance to leaning on government paternalism we are like a man who leaves his legs idle in favor of crutches that he does not need. He will end by having no muscle. We can end by getting too flabby to work hard or to fight.

To see what has happened to us, we need to look back thirty years or so. The doctrine of the Welfare State in Canada began then as a struggle for social justice in which men like J. S. Woodsworth, right or wrong, were dedicated missionaries. Mr. Mackenzie King adopted the doctrine as a political tactic in his early seeking of support to rehabilitate his party and his dexterity was imitated by Mr. R. B. Bennett in a new deal maneuver for the 1935 election.

Since then we have had a continuing performance by all political parties, federal and provincial, in trying to out-do each other by offering larger and larger doses of Sugar Daddy benevolence as a striving to stay in office or to get there. In this technique of beguiling voters with their own tax money we have never had more notable examples than in 1957 and 1958.

The Handout Habit

After thirty years of accelerating welfarism, what has been the effect? We had a public example last month in the Ottawa excursion of 1,100 western farmers seeking a 300 million dollar handout and, worse still, in their bands-and-flags reception by some members of parliament. The fact that the excursion was a flop does

[1]Ottawa figures do *not* include armed services, government agencies, or crown corporations such as CBC. (In 1958 CBC alone had 6,300 employees and took $41 million out of taxes for its capital costs and operating deficit.) Provincial and municipal estimates are based on various authentic sources and are also for ordinary departments; they do *not* include school teachers or municipal police and fire forces.

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not alter its sorry contrast with what we used to think of as the strong free spirit of the West, where men were men not mendicants.

But I do not single out the western farmer; there has been a great loss of self-reliance amongst all of us. Dependence on government now pervades our thinking. With individual industries,[2] labor bodies, cultural groups, and institutions of every kind it has become a habit to look to governments for allowances, subsidies, bonuses, benefits, grants, bounties, subventions, and all the other fancy words that mean handout.

Despite oppressive taxes and shrinking dollar value we still try to fool ourselves that the handouts are something-for-nothing and our newspapers unfortunately abet the delusion by their careless habit of saying that "the government will pay." It should be painfully plain that a government can pay for nothing; only the taxpayers pay.

Within relatively few years, welfarism has changed our ideas of how to get ahead in life. In place of hard work and the seeking of opportunity we now look for security and leisure without wanting to earn them. And leisure today is seldom put to use; often it means nothing better than squatting over television's endless stupefaction.

Paying for Promises

During the last war there was a slogan about choosing between guns and butter; it was like the challenge of "blood, toil, tears, and sweat." We now have to match ourselves against hard tough peoples who know nothing of security and leisure. But we are being led, and are acting, as though we can muster all the guns we may want and still indulge in the unlimited butter and soothing-syrup that welfarism promises to hand out.

Indulgence is the essence of the Welfare State even when, as now, it means putting taxes higher in the face of pledges to make them lower. Political welfarism has no place for the ordinary household and business practice of cutting expenditure to stay inside income.

Politicians still bet on voters being foolish enough to think that welfarism means something for-free, that higher taxes and bigger spending don't matter as long as the handouts keep coming. And the politicians still seem right about some people, for there are some who try to think that a gov-

[2]Pulp and paper is one industry that has never asked for or taken a government handout. Even in the 1930's with half our newsprint mills operating in bankruptcy the industry made its own way, against world competition, without seeking subsidy or favor or charity of any kind.

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ernment is coping with inflation when it taxes more even though it shows no attempt to spend less.

We do almost anything to avoid straight thinking about what's happening to us. We don't even talk plainly about business any more. We now use the bureaucrat's jargon about economic climate and segments and sectors of the economy when we're only trying to say how things are going.

Some Reasons and Convictions

Now these are disagreeable matters to talk about. You may wonder why I do, and at a meeting of company shareholders. I have four reasons I would like to mention, and here they are.

1. The spreading of the Welfare State, with its offspring of bureaucracy and inflation, is a deadly course for this country as it is for any country. It enervates our character as a people and is a cruel hoax upon those it is supposed to benefit the most. As earnings and savings dwindle in real value, those to suffer most are bound to be the people of smallest means.

2. We cannot look to politicians or any political party to halt the spreading of indiscriminate welfarism. The aim of politicians is to win elections. They tell themselves that the people ask for welfarism; that it will continue to catch votes. Therefore, whether they think it good or bad, political party strategists will go on offering more and more of it until the people themselves stop them. In over thirty years we have had no sign of statesmanship in Canada to let us hope for anything different.

3. Since we cannot hope for it in politicians, leadership will have to come from the people and from a free press determined to serve the country's interest rather than the election hopes of any political party. The Canadian people and the press can halt welfarism by turning against it; by making politicians see that it will lose votes, not catch them.

4. Every person who is opposed to unrestricted welfarism thus has a public duty to say so, and there is no place where the subject does not belong: in homes, churches, social groups, business. Every one of us has freedom and perhaps survival at stake in calling a halt to the fatal combination of welfarism-bureaucracy-inflation. To sit back and not bother means to lose by default.

It is with these convictions that I've taken our meeting today as an opportunity to say what I have said. If you have similar convictions, I hope you also will find opportunities to declare them. We should all do our best to stand up for what we believe in. • • •

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A careful student of oligopoly and monopoly examines the antitrust division's current activity concerning . . .

Undue "Concentration" in Business

HAROLD FLEMING

WITH THE CURRENT SPATE of proposed antitrust bills, hearings, and lawsuits being reported from Washington, and the current merger movement in business continuing to grow, an ironic contrast is developing between the now predominant legal theories about business and the way business actually is moving.

Legislators, government lawyers, and federal judges express increasing concern about the "undue concentration of economic power" in the business community. Congressional hearings are to be held on "administered prices" in the larger industries.

Twenty-nine oil companies are on trial at Tulsa on charges of raising prices after the Suez Canal was closed.

And the judge in the case of the Bethlehem Steel-Youngstown merger case described the steel industry as an "oligopoly," a disparaging term unheard of in law books two decades ago, meaning "few sellers" or "undue concentration."

At the same time, American business is becoming more competitive and less concentrated as technological advance and research have lowered the competitive threshold between industries and almost infinitely widened the areas from which competition can strike.

The essence of the theory of "undue concentration" or "oligopoly," which has been introduced into antitrust law in the last 20 years and is being pushed in Congress, is that business operates in fixed, comparatively safe, compartments or categories.

Steel, oil, chemicals, or railroading, the theory runs, can become the preserve of a few companies administering their own prices more or less as they choose, de-

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parting from the supposedly "pure" competition of Victorian days and adopting what critics call "monopolistic competition" and what friends apologetically call "workable competition."

This theory was actually put to empiric tests in the country's first great "merger era" in the early 1900's. Bankers, following in John D. Rockefeller's steps, put together such near monopolies as United States Steel, American Can, International Harvester, American Woolen, and United Shoe.

Except for the last case, the theory didn't work, or at least the mergers steadily lost competitive ground. The new corporate creations grew, but not as fast as the industries it was hoped they would "dominate."

Outsiders kept coming in, and little insiders kept growing faster than the "bigs." Normal economic forces were largely responsible for the deconcentration.

From Professor to Politician

The theory of "oligopoly" or "undue concentration" appears to have had its start at the turn of the century with Professor Thorstein Veblen. He later described American business as having "matured into a community of vested interests whose vested right it is to keep up prices by a short supply in a closed market."

This viewpoint took on political life in Washington in the 1930's in such theories as those of "monopolistic competition" and "administered prices" or "rigid industrial prices." It was argued that the "Big Threes" and "Big Fours" of industry set their prices without proper regard for demand.

"Undue concentration of economic power" had contributed to, if not actually caused, the Great Depression, it was said, and the Temporary National Economic Committee was set up in 1938 to explore this line of thought. Meantime, the Antitrust Division of the Department of Justice introduced the concept into antitrust cases and the courts began to accept it.

In 1945, Judge Learned Hand, in the Aluminum Company case, expressed the incidental opinion that for one company to control 90 per cent of an industry was certainly illegal, 64 per cent was doubtful, but 30 per cent was certainly legal.

In this and a number of important subsequent cases, the federal courts have come to practically full adoption of the oligopoly theory. That is, it now can be a violation of the Sherman Act for a company or companies to control an undue share of a market, regardless of whether they come by that share by hard work or by predatory practices.

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This idea also is embodied in the most important revision of the antitrust laws passed by Congress in the past 20 years, namely, the rewriting of the "antimerger" Section 7 of the Clayton Act.

In effect, it now says that no merger is legal that produces a company with too large a share of any market. The law formerly had banned acquisitions which would lessen competition between the two companies involved. The revision would ban mergers by the much broader "undue concentration" test.

The oligopoly economists have succeeded so well in getting their theory embodied into law that nothing now remains to be done, it would seem, except for the United States Department of Justice to get enough lawyers in its budget to go ahead with the attack on "undue concentration."

But just as the "oligopoly" theory has become crystallized in law, its utter incongruity with the essential facts of modern business competition is beginning to show up.

What Market? What Share?

Two questions now face the courts in interpreting the law: "What actually constitutes a market?" and "What constitutes an 'undue' share of a market?"

Lawyers already have given legal names to these issues. They are the matter of the "relevant market," and that of "quantitative substantiality."

The courts must decide what are the "relevant markets" in which the degree of industrial "concentration" is to be measured – as well as how much concentration becomes "undue" concentration.

The last half century has seen a vast deconcentration of American industry. It has grown too fast to be held in as few hands as it was then. Fifty years ago, the typical leader's share was 80 per cent. Today, it rarely exceeds 30 per cent. The classic case of deconcentration has been in the petroleum industry, of which the leader did 85 per cent of the business in 1910 and today does 11 per cent; it now takes a "Big Thirty" to get up to two-thirds of the industry's sales, and 20,000 jobbers share the other third.

The record does not support the assumption that fewer sellers mean less competition. On balance, the facts run the other way. As clear a case of "oligopoly" as there is – the automobile industry – is highly competitive.

General Motors does over half the business. GM, Ford, and Chrysler do 90 per cent. And the mergers of Kaiser and Willys-Overland, of Hudson and Nash, and of Studebaker and Packard,

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increased the "oligopoly" but also increased the competition.

This question of "relevant market" has led lawyers on both sides to the shrewd conclusion, "Pick your market to suit your case." Thus the du Pont lawyers argued successfully that the relevant market for cellophane was not just cellophane, but flexible wrapping materials in general.

A Delicate Decision

However, this choice of relevant market, for argument's sake, has to be done carefully, whether in a merger case or a Sherman Act case. Thus, if two shoe companies wanted to merge, and they could persuade the court that the relevant market was "all shoes," the merger might result in a single company doing only 6 per cent of the business (legal).

But the Department of Justice might argue that the relevant market was "dress shoes" – in which case the resulting company might do 54 per cent of the business (illegal). But the shoe company lawyers might argue that the relevant market was "men's dress shoes" and, since one company was in men's dress shoes and the other in women's dress shoes, there would be no lessening of competition from the merger (legal).

This type of question is likely to baffle federal judges increasingly – with the present trend of American business managements to diversify their product lines and, in doing so, to "buy time" by merging rather than by building.

But of the judicial problem "what share of what market," the question of "what share" is illegal is just as difficult as the question of "what market," and equally unestablished. Judge Learned Hand's dictum in the Alcoa case, that 90 per cent was certainly illegal, 30 per cent certainly legal, and 64 per cent questionable, dismayed the government lawyers, who seem to be aiming at 15 per cent, but settled nothing.

In the Columbia Steel case, the Supreme Court majority said, "We do not undertake to prescribe any set of percentage figures by which to measure the reasonableness of a corporation's enlargement of its activities by the purchase of the assets of a competitor." And that is about where the matter seems to rest.

The two questions, as to "what market" and "what share" constitutes lawbreaking, are either so undecided or have been so diversely decided as to leave the outcome of each future merger or monopoly case to the shrewdness and plausibility of the contending lawyers and the predilections of the court.

Thus, in the Bethlehem-Youngstown case, the judge was in effect

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presented with the following intellectual teaser. Merger of the two companies would, of course, eliminate competition between them. Also, it would shrink the number of big steel companies. But it would bring Bethlehem's financial power into the Chicago district and thus give "Big Steel" a harder run for its money. So, would or would not the net effect of the merger be to "substantially lessen competition"?

While the courts are trying to decide such problems, plastic companies are invading the steel companies' markets. Chemical companies are going into plastics. Rubber companies are going into chemicals. Oil companies are going into rubber. A submarine company recently bought an airplane company and went into rockets.

Market fences are falling apart, alert managements are trying by-product diversification to make themselves independent of particular markets, and the question of "undue concentration" is becoming a living for lawyers but a hobble for business.

Management Spurns Monopoly

While the "oligopoly" theory now written into antitrust law assumes that businessmen tend to concentrate on exploiting particular markets, top business management policy is just the opposite – to avoid at all costs dependence on any particular market, and to use all possible means, particularly research and mergers, to achieve corporate independence of any one product or any one market.

A classic case in point was the steam locomotive business 30 years ago. At the end of the 1920's, three companies not only "dominated" this business, but did it all – American Locomotive, Baldwin, and Lima, with ALO doing more than 50 per cent.

Had the antitrust laws been stretched in meaning as far as they have today, this would have been an egregious violation of the law against undue concentration of economic power. But the late "Boss" Kettering, with his two-cycle Diesel, obliterated this "oligopoly," and one of the chief goals of modern business management is not to get caught making steamers in a Diesel age.

Characteristic of modern business competition is that within the established categories of industry there has been intensified development of new products, and of better quality for the existing products.

In the country's largest and fastest-growing industry, chemicals, the bulk of the business is in products developed chiefly after World War II. And quality has been steadily raised, as with gaso-

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line, tires, steels, textiles, and cars.

Even more characteristic of postwar competition has been the development of inter-industry market competition. The walls between industry have been knocked down, and the thresholds of competition lowered by research and technological advance.

A typical result has been the battle for the domestic heating market, between middle distillate oils, interstate pipeline gas, and coal.

In the container business, competition has developed between tin cans, glass bottles, and paper cartons.

Building equipment material is made by firms, in different industries, who never heard of each other until they took a chance in the new product diversification.

Synthetics upset the textile industry.

Breakdown of conventional business compartments is dramatically shown in the case of two legal monopolies – the railroads and Western Union.

Street car systems, though a legal monopoly, have largely gone. Automobiles, buses, and airplanes have taken most of the railroads' legal "monopoly" of interstate passenger business.

Western Union's marriage with Postal Telegraph only solved its intra-industry competition problems, but the merger left it as dependent as ever on alert management to cope with the competition of airmail and other communication means.

Whether industrial research started the new inter-industry competition or is a result of it will remain a good subject for debate. But research has become a primary tool for the new management policy of getting out from under dependence on any single line of products.

New Products Through Research

A corollary of this trend toward diversifying products has been a rapid decrease in straight-out price competition. Rather than continue producing the same thing and selling it for the best price, many companies would rather think up something new, add some new quality to the line, or invade somebody else's market. Since the oligopoly theory is almost solely concerned with price, it misses this new trend.

This business game of "musical chairs" is the basis of the new competition. Everyone raids somebody else's field.

One way is through research. New products are bound to compete with somebody's established products. A second way is through capital outlay. The fastest way is through merger-acquisition, and

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this is the reason why the merger movement has accelerated since the Clayton Act was amended in 1950 to curb mergers.

Growth of research and mergers may be called either a cause or a result of the new inter-industry competition. It is both. When some companies and industries start causing competitive troubles, others must follow suit or lose out.

In the last analysis, foresighted management must take account of existing competition within its industry and threatened competition from other industries, as well as potential future competition from undeveloped and undiscovered products and processes.

This is something judges sitting in antitrust cases considering questions of the "relevant market" are not called on to anticipate. They need only consider the possible and the probable, while alert managements must consider the improbable and the seemingly impossible competitive threat.

The present law's appraisal of business conduct on grounds of "undue concentration of industry" requires a battery of lawyers to tell business if it may be violating some recently thought up rule. They are in the position of the boy who asked his mother, "How did I do on my valedictory speech?" and received the answer, "Your tie was crooked." • • •

THE BOGEY OF "ADMINISTERED PRICES"

MURRAY N. ROTHBARD

AMONG the perennial critics of Big Business, one favorite charge is pressed, whether times are good or bad: prices are too high. If there is a depression, then Big Business is keeping prices too high and thus causing unemployment; if a boom is underway, then Big Business' raising of prices is primarily responsible for the price "inflation." These charges assume that, in some way, large businesses have been able to repeal the law of supply and demand, and have

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themselves assumed a highhanded dictation over the prices they can charge, or "administer."

There are many fallacies and inconsistencies in this approach. For example, if Big Business is causing inflation by suddenly and wickedly deciding to raise prices, one wonders why it hadn't done so many years before. Why the wait?

If the answer is that now monetary and consumer demand have been increasing, then we find that we are back in a state of affairs determined by demand, and that the law of supply and demand hasn't been repealed, after all. Then, there have been many fine statistical studies, demonstrating that the "administered" prices have not increased more than the others and did not remain relatively higher than others during depressions. But one critique of this bogey has been particularly neglected, and this is a philosophic one. Is there any sense at all to the concept of "administered" prices?

This concept is generally developed as follows: Consider the individual wheat farmer (as in the old days of free competition in farm products, that is). He has no "control" over the price of his wheat. He must go to the established wheat market and sell the wheat at whatever price is offered. He must take it or not sell his wheat. On the other hand, take, for example, General Motors. It produces cars, and then decides what price *it* will charge; it doesn't have to accept a price set on some general car market. Therefore, General Motors has "control over" – administers – its selling price.

Posted Prices a Convenience

To some extent, this is a problem of being misled by the superficial matter of who posts the price on any particular market. The consumer who buys stockings from Macy's or Gimbel's does not, we can be sure, feel controlled or "administered" because the prices of the stockings are posted beside them on the counters. He would, in fact, feel quite put upon if he had to make the price-offer himself. Indeed, the evolution from the haggling of the oriental bazaar to the "one-price" posting of stores today is almost always considered by the consumer as an important and welcome time-saver, enabling him to obtain information quickly about the markets for the goods he wishes to buy. The one-price system in no way interferes with the quiet, effective working of consumer demand in determining prices and the allocation of productive resources.

But there is still more to be said. For it is *not* true that the farmer was *forced* to sell at the

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wheat market and there only. On the contrary, if he didn't like the price offered him there, he was perfectly free to take his wheat elsewhere. If he could persuade some other buyer, outside the regular market, to buy his wheat for a higher price, there was nothing to stop him from making the sale. The fact that it would be highly unlikely for him to find a buyer willing to pay above the regular market price is beside the point.

. . . But the Customer Decides

The point is that *every* seller, in a free society, whoever he is, has *absolute control* over the price he charges for his commodity. If I wish to set a price of $2,000 an hour for my services as a consulting economist, I am perfectly free to do so. I, the farmer, and General Motors all have this degree of control.

But this is all the control any of us have. The farmer can charge whatever he wants, but (in the free market) he cannot force anyone to buy his goods at that price. Neither can I, and *neither can General Motors!* All of us sellers are in the same boat. We have absolute control over the price we *ask* for our services, but we have *no control* whatever over the price the buyer is willing to pay. If we set our prices too high, people will not buy our products.

And so every producer, whatever his field, is constantly engaged in trying to discover his market, in trying to determine how much buyers are willing to pay for his product. And we each set our prices, in the real world, according to our estimates. The fact that the farmer has his market all ready and waiting for him and General Motors does not, is a purely institutional matter which in no way alters the principle. The point is that both producers can set any price they wish, but neither can compel a sale. And, therefore, either no price or *all* prices are "administered," depending on how you choose to define the term.

But whichever way the term is used, if it is used at all, there is no justification for singling out Big Business or any other area and saying that its prices are "administered." • • •

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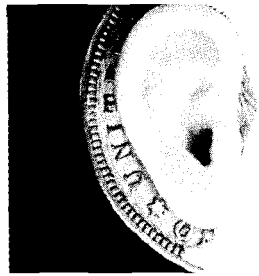
LISTENING IS A 10-PART SKILL

Nothing equals an executive's willingness to listen, and learning how is an inside job

RALPH G. NICHOLS



WHITE COLLAR workers, on the average, devote at least 40 per cent of their workday to listening. Apparently 40 per cent of their salary is paid to them for listening. Yet tests of listening comprehension have shown that, without training, these employees listen at only 25 per cent efficiency.

This low level of performance becomes increasingly intolerable as evidence accumulates that it can be significantly raised. The component skills of listening are known. They boil down to this:

Learning through listening is primarily an inside job — inside action on the part of the listener. What he needs to do is to replace some common present attitudes with others.

Recognizing the dollar values in effective listening, many companies have added courses in this skill to their regular training programs. Some of the pioneers in this effort have been American Telephone & Telegraph Co., General Motors Corporation, Ford Motor Company, The Dow Chemical Company, Western Electric Co., Inc., Methods Engineering Council of Pittsburgh, Minnesota Mining & Manufacturing Co., Thompson Products, Inc., of Cleveland, and Rogers Corp. of Connecticut.

Warren Ganong of the Methods Engineering Council has compared

Dr. Nichols, Head of the Department of Rhetoric at the University of Minnesota Institute of Agriculture in St. Paul, is coauthor of the popular book, *Are You Listening?* and of the widely adopted college textbook, *Listening and Speaking*. This article is reprinted, by permission, from the July, 1957, issue of *Nation's Business*.

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trainees given a preliminary discussion of efficient listening with those not provided such discussion. On tests at the end of the courses the former achieved marks 12 to 15 per cent higher than did the latter.

A. A. Tribbey, general personnel supervisor of the Wisconsin Telephone Company, in commenting on the results of a short conference course in which effective listening was stressed, declared: "It never fails to amaze us when we see the skill that is acquired in only three days."

The conviction seems to be growing that upper-level managers also need listening skill. As Dr. Earl Planty, executive counselor for the pharmaceutical firm of Johnson & Johnson, puts it: "By far the most effective method by which executives can tap ideas of subordinates is sympathetic listening in the many day-to-day informal contacts within and outside the work place. There is no system that will do the job in an easier manner. . . . Nothing can equal an executive's willingness to hear."

A study of the 100 best listeners and the 100 worst listeners in the freshman class on the University of Minnesota campus has disclosed 10 guides to improved listening. Business people interested in improving their own performance can use them to analyze their personal strengths and weaknesses. The 10 guides to good listening are:

1. *Find area of interest*

All studies point to the advantage in being interested in the topic under discussion. Bad listeners usually declare the subject dry after the first few sentences. Once this decision is made, it serves to rationalize any and all inattention.

Good listeners follow different tactics. True, their first thought may be that the subject sounds dry. But a second one immediately follows, based on the realization that to get up and leave might prove a bit awkward.

The final reflection is that, being trapped anyhow, perhaps it might be well to learn if anything is being said that can be put to use.

The key to the whole matter of interest in a topic is the word *use*. Whenever we wish to listen efficiently, we ought to say to ourselves: "What's he saying that I can use? What worth-while ideas has he? Is he reporting any workable procedures? Anything that I can cash in, or with which I can make myself happier?" Such questions lead us to screen what we are hearing in a continual effort to sort out the elements of personal value. G. K. Chesterton spoke wisely indeed when he said, "There

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is no such thing as an uninteresting subject; there are only uninterested people."

2. *Judge content, not delivery*

Many listeners alibi inattention to a speaker by thinking to themselves: "Who could listen to such a character? What an awful voice! Will he ever stop reading from his notes?"

The good listener reacts differently. He may well look at the speaker and think, "This man is inept. Seems like almost anyone ought to be able to talk better than that." But from this initial similarity he moves on to a different conclusion, thinking, "But wait a minute. . . . I'm not interested in his personality or delivery. I want to find out what he knows. Does this man know some things that I need to know?"

Essentially, we "listen with our own experience." Is the conveyer to be held responsible because we are poorly equipped to decode his message? We cannot understand everything we hear, but one sure way to raise the level of our understanding is to assume the responsibility which is inherently ours.

3. *Hold your fire*

Overstimulation is almost as bad as understimulation, and the two together constitute the twin evils of inefficient listening. The overstimulated listener gets too excited, or excited too soon, by the speaker. Some of us are greatly addicted to this weakness. For us, a speaker can seldom talk for more than a few minutes without touching upon a pet bias or conviction. Occasionally we are roused in support of the speaker's point; usually it is the reverse. In either case overstimulation reflects the desire of the listener to enter, somehow, immediately into the argument.

The aroused person usually becomes preoccupied by trying to do three things simultaneously: calculate what hurt is being done to his own pet ideas; plot an embarrassing question to ask the speaker; enjoy mentally all the discomfiture visualized for the speaker once the devastating reply to him is launched. With these things going on subsequent passages go unheard.

We must learn not to get too excited about a speaker's point until we are certain we thoroughly understand it. The secret is contained in the principle that we must always withhold evaluation until our comprehension is complete.

4. *Listen for ideas*

Good listeners focus on central ideas; they tend to recognize the characteristic language in which central ideas are usually stated,

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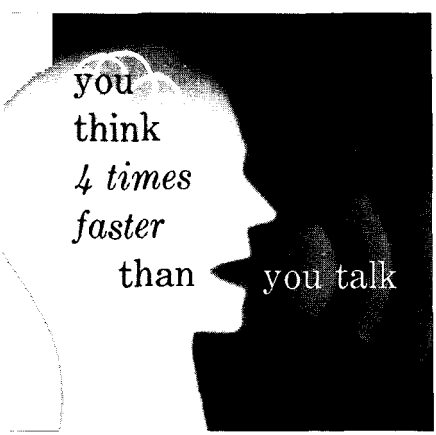
and they are able to discriminate between fact and principle, idea and example, evidence and argument. Poor listeners are inclined to listen for the facts in every presentation.

To understand the fault, let us assume that a man is giving us instructions made up of facts A to Z. The man begins to talk. We hear fact A and think: "We've got to remember it!" So we begin a memory exercise by repeating "Fact A, fact A, fact A. . . ."

Meanwhile, the fellow is telling us fact B. Now we have two facts to memorize. We're so busy doing it that we miss fact C completely. And so it goes up to fact Z. We catch a few facts, garble several others, and completely miss the rest.

It is a significant fact that only about 25 per cent of persons listening to a formal talk are able to grasp the speaker's central idea. To develop this skill requires an ability to recognize conventional organizational patterns, transitional language, and the speaker's use of recapitulation. Fortunately, all of these items can be readily mastered with a bit of effort.



5. Be flexible

Our research has shown that our 100 worst listeners thought that note-taking and outlining were synonyms. They believed there was but one way to take notes – by making an outline.

Actually, no damage would be done if all talks followed some definite plan of organization. Unfortunately, less than half of even formal speeches are carefully organized. There are few things more frustrating than to try to outline an unoutlineable speech.

Note-taking may help or may become a distraction. Some persons try to take down everything in shorthand; the vast majority of us are far too voluminous even in longhand. While studies are not too clear on the point, there is some evidence to indicate that the volume of notes taken and their value to the taker are inversely related. In any case, the real issue is one of interpretation. Few of us have memories good enough to remember even the salient points we

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hear. If we can obtain brief, meaningful records of them for later review, we definitely improve our ability to learn and to remember.

The 100 best listeners had apparently learned early in life that if they wanted to be efficient note-takers they had to have more than one system of taking notes. They equipped themselves with four or five systems, and learned to adjust their system to the organizational pattern, or the absence of one, in each talk they heard. If we want to be good listeners, we must be flexible and adaptable note-takers.

6. Work at listening

One of the most striking characteristics of poor listeners is their disinclination to spend any energy in a listening situation. College students, by their own testimony, frequently enter classes all worn out physically; assume postures which only seem to give attention to the speaker; and then proceed to catch up on needed rest or to reflect upon purely personal matters. This faking of attention is one of the worst habits afflicting us as a people.

Listening is hard work. It is characterized by faster heart action, quicker circulation of the blood, a small rise in bodily temperature. The overrelaxed listener is merely appearing to tune in, and then feeling conscience-free to pursue any of a thousand mental tangents.

For selfish reasons alone one of the best investments we can make is to give each speaker our conscious attention. We ought to establish eye contact and maintain it; to indicate by posture and facial expression that the occasion and the speaker's efforts are a matter of real concern to us. When we do these things, we help the speaker to express himself more clearly, and we in turn profit by better understanding of the improved communication we have helped him to achieve. None of this necessarily implies acceptance of his point of view or favorable action upon his appeals. It is, rather, an expression of interest.

7. Resist distractions

The good listeners tend to adjust quickly to any kind of abnormal situation; poor listeners tend to tolerate bad conditions and, in some instances, even to create distractions themselves.

We live in a noisy age. We are distracted not only by what we hear, but by what we see. Poor listeners tend to be readily influenced by all manner of distractions, even in an intimate face-to-face situation.

A good listener instinctively fights distraction. Sometimes the fight is easily won – by closing a

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door, shutting off the radio, moving closer to the person talking, or asking him to speak louder. If the distractions cannot be met that easily, then it becomes a matter of concentration.

8. Exercise your mind

Poor listeners are inexperienced in hearing difficult, expository material. Good listeners apparently develop an appetite for hearing a variety of presentations difficult enough to challenge their mental capacities.

Perhaps the one word that best describes the bad listener is "inexperienced." Although he spends 40 per cent of his communication day listening to something, he is inexperienced in hearing anything tough, technical, or expository. He has for years painstakingly sought light, recreational material. The problem he creates is deeply significant, because such a person is a poor producer in factory, office, or classroom.

Inexperience is not easily or quickly overcome. However, knowledge of our own weakness may lead us to repair it. We need never become too old to meet new challenges.

9. Keep your mind open

Parallel to the blind spots which afflict human beings are certain psychological deaf spots which impair our ability to perceive and understand. These deaf spots are the dwelling place of our most cherished notions, convictions, and complexes. Often, when a speaker invades one of these areas with a word or phrase, we turn our mind to retraveling familiar mental pathways crisscrossing our invaded area of sensitivity.

It is hard to believe in moments of cold detachment that just a word or phrase can cause such emotional eruption. Yet with poor listeners it is frequently the case; and even with very good listeners it is occasionally the case. When such emotional deafness transpires, communicative efficiency drops rapidly to zero.

Among the words known thus to serve as red flags to some listeners are: mother-in-law, landlord, redneck, sharecropper, sissy, pervert, automation, clerk, income tax, communist, Red, dumb farmer, pink, "Greetings," antivivisectionist, evolution, square, punk, welsher.

Effective listeners try to identify and to rationalize the words or phrases most upsetting emotionally. Often the emotional impact of such words can be decreased through a free and open discussion of them with friends or associates.

10. Capitalize on thought speed

Most persons talk at a speed of

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about 125 words a minute. There is good evidence that if thought were measured in words per minute, most of us could think easily at about four times that rate. It is difficult – almost painful – to try to slow down our thinking speed. Thus we normally have about 400 words of thinking time to spare during every minute a person talks to us.

What do we do with our excess thinking time while someone is speaking? If we are poor listeners, we soon become impatient with the slow progress the speaker seems to be making. So our thoughts turn to something else for a moment, then dart back to the speaker. These brief side excursions of thought continue until our mind tarries too long on some enticing but irrelevant subject. Then, when our thoughts return to the person talking, we find he's far ahead of us. Now it's harder to follow him and increasingly easy to take off on side excursions. Finally we give up; the person is still talking, but our mind is in another world.

The good listener uses his thought speed to advantage; he constantly applies his spare thinking time to what is being said. It is not difficult once one has a definite pattern of thought to follow. To develop such a pattern we should:

▸ *Try to anticipate what a person is going to talk about. On the basis of what he has already said, ask yourself: "What's he trying to get at? What point is he going to make?"*

▸ *Mentally summarize what the person has been saying. What point has he made already, if any?*

▸ *Weigh the speaker's evidence by mentally questioning it. As he presents facts, illustrative stories, and statistics, continually ask yourself: "Are they accurate? Do they come from an unprejudiced source? Am I getting the full picture, or is he telling me only what will prove his point?"*

▸ *Listen between the lines. The speaker doesn't always put everything that's important into words. The changing tones and volume of his voice may have a meaning. So may his facial expressions, the gestures he makes with his hands, the movement of his body.*

Not capitalizing on thought speed is our greatest single handicap. The differential between thought speed and speech speed breeds false feelings of security and mental tangents. Yet, through listening training, this same differential can be readily converted into our greatest asset. • • •

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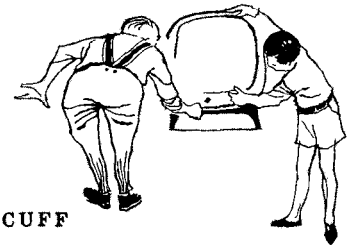

The Deficit

or — PROSPERITY ON THE CUFF

It was a rainy afternoon
At story-telling time.
Old Kaspar chewed a dead cigar
And wished for rum-and-lime,
While Peterkin and Wilhelmine
Warmed up the television screen.

They saw a monster come and stand
Upon the Senate floor,
Where many tried to tie him up
And drag him out the door;
But others went to help him then
And let him wander free again.

Old Kaspar heard a cry of fright
From little Wilhelmine,
And saw the vision fading off
The television screen.
"It was the Deficit," said he,
"The Monster of the Treasury."

"What does he eat," cried Wilhelmine,
"And would he eat us, too?"
"He eats the little prices, dear,
That's why we have so few;
And fear that he will eat them all
Is what makes prices grow so tall."

"Now tell us how we got him, then,
And just what good is he?"
"The Planners got him," Kaspar sighed,
"To guard Prosperity.
They say we need to keep him here
To give us Full Employment, dear."

"But can't we guard Prosperity
In some less scary way?"
"We did without the Monster once;
But now, the Planners say,
We can't go turning back the clock
And risk a cataclysmic shock."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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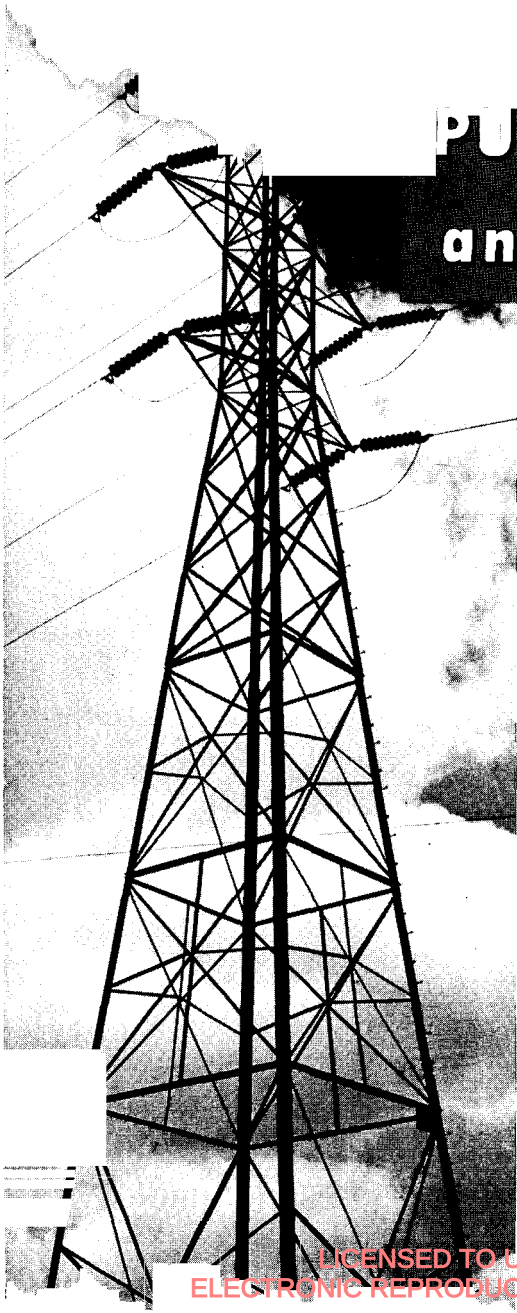

PUBLIC POWER and the TVA

RICHARD D. OBENSHAIN

1. THE DREAM

I will not cease from mental fight,
Nor shall my sword sleep in my hand,
Till we have built Jerusalem
In England's green and pleasant land.

WILLIAM BLAKE

SHORTLY BEFORE the bill for the creation of the Tennessee Valley Authority came before Congress in 1933, Senator George Norris of Nebraska went to dinner at the White House. As the "Father of the TVA" and the President sat and talked about their pet project for developing the Tennessee Valley, Senator Norris laughingly asked, "What are you going to say when they ask you the political philosophy behind TVA?" President Roosevelt replied, "I'll tell them it's neither fish nor fowl but, whatever it is, it will taste aw-

---

Mr. Obenshain, a senior in New York University School of Law, prepared this paper for Professor Sylvester Petro's seminar on "Government and Private Monopoly in a Free Society."

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fully good to the people of the Tennessee Valley."[1]

"The Hundred Days"

Thus, blissfully ignoring the questions of political philosophy which its innovations raised, the New Deal set to work to repair the damages of the depression and, as well, to introduce its own new ideas for properly ordering the American society. "The wreckage of rugged individualism," said Arthur E. Morgan, chairman of the board of Tennessee Valley Authority, "has been handed to us with a request that we try to do something about it."[2] So, sans political philosophy but with burning evangelical zeal, the administration set about the task of reforming the economy and, in many ways, the social structure.

"Much of the Hundred Days was a frenzied effort to keep the system from falling apart. One event, however, stood out as an earnest of the better America which dedicated men might create. This was the enactment on May 18, 1933, of the Tennessee Valley Authority Act."[3] Shocked by the deep poverty and the widespread unemployment of the seven-state area which comprised the basin of the Tennessee River, President Roosevelt, Senator Norris, and the other parents of the project conceived the grand scheme of transforming the region from the backwoods, poverty-striken area it was, into the lush, green, fertile valley it might be with the assistance of the government. While some small power and national defense functions had been previously fulfilled by a federal dam at Muscle Shoals, Alabama, the new idea was much more ambitious. In requesting the Congress to create the TVA, President Roosevelt stated:

> It is clear that the Muscle Shoals development is but a small part of the potential public usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development: it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry. In short, this power development of war days leads logically to national planning for a complete river watershed involving many states and the future lives and welfare of millions. It touches and gives life to all forms of human concerns.
>
> I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority—a corporation clothed with the power of government but possessed of the flexibility

[1] Goldman, *Rendezvous with Destiny* 263 (1956).

[2] Schlesinger, *The Coming of the New Deal* 321 (1959).

[3] *Ibid.* at p. 319.

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and initiative of a private enterprise. . . .[4]

Many hard lessons have taught us the human waste that results from lack of planning. Here and there a few wise cities and counties have looked ahead and planned. But our Nation has "just grown." It is time to extend planning to a wider field, in this instance comprehending in one great project many states directly concerned with the basin of one of our greatest rivers.

This in a true sense is a return to the spirit and vision of the pioneer. If we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders.[5]

This passionate belief that human society can be perfected through the intervention of governmental authority is essentially a political application of humanistic "religion." Almost religious, too, was the fervor with which its proponents embraced these doctrines as the great hope for rearranging the land for the benefit of the poor and helpless. Like a new psalmist, caught up in a mystical experience, is George Norris as he exults over the passage of his brain child:

> It is emblematic of the dawning of that day when every rippling stream that flows down the mountainside and winds its way through the meadows to the sea shall be harnessed and made to work for the welfare and comfort of man.[6]

2. THE REALITY

> *Moreover, all democratic communities are agitated by an ill-defined excitement and by a kind of feverish impatience, that engender a multitude of innovations, almost all of which are attended with expense.*
>
> ALEXIS DE TOCQUEVILLE

BEHIND the grand aims of transforming a wasteland into a paradise, of perfecting the nation by central planning, there were some very human feelings and some very real hatreds. Attributing the "wreckage of rugged individualism" to the large businesses of the country, the New Deal went vigorously on the warpath against big, private businesses. And behind the glorious scheme to bring

[4] It is highly questionable if a corporation can, in fact, be clothed with the power of government and still retain the initiative of a private enterprise. When a corporation is shielded from competition and is not required to make its operation profitable, the very heart of private enterprise initiative has been killed.

[5] 77 *Cong. Rec.*, 73d Cong., 1st Sess., p. 1423 (April 10, 1933).

[6] Schlesinger, *op. cit.* supra note 2, at 326.

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prosperity to the Tennessee Valley was the administration's fierce dislike of the private power companies. Little time was wasted in putting the private power companies in their proper place by greatly inhibiting their competitive position as against municipal and other publicly owned utilities.

First, the new Congress clamped a 3 per cent tax on the sales of power by private companies, but exempted all publicly owned corporations from this levy. Then a federal law was passed prohibiting the federal courts from hearing any suits by *private* utility companies to restrain state Public Service Commissions from enforcing confiscatory rate orders. The National Industrial Recovery Act encouraged local and city governments to compete actively with the private power companies. The Public Works Administrator was authorized to make loans and grants to municipalities to allow them to duplicate the efforts of private utility companies where those private companies had not lowered their rates to a "reasonable" level. The purposes were clearly expressed by the Public Works Administrator when he reflected on the operation of this plan:

In all allotments made for municipal power plants by the Public Works Administration proposed rates have been well below existing private company rates. Consequently, the fact that the companies in some instances have met these proposed municipal rates has been deemed as showing progress toward one of the aims of this phase of the public works program.[7]

Finally, a large number of federal reports were promulgated, charging that private power rates were excessive[8] and threatening the private companies with extensive suppression and regulation. The result was vast alarm among the investors in private power. In the first seven weeks of 1935, utility securities' values fell over one billion dollars at a time when other securities were rising.

Federal "Competition"

Not content with the effects of these measures, the federal government determined to enter directly into competition with the private utility industry. For this purpose, few more advantageous shields could have been afforded

[7]Release No. 989 of Sept. 27, 1934, Federal Emergency Administration of Public Works.

[8]This would seem to have been a gross breach of propriety since the rates were presumably set by the state utilities commissions. Since the federal government had no power to directly interfere with the legally established rates ordained by the state commissions, it was decidedly improper for federal officials to attempt to alter these rates by the device of publicly attacking and discrediting the state established rates.

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than that of the broad, reconstructive aims of the Tennessee Valley project. While the federal government's power to enter the utility business was, at best, questionable, in the maze of a multiple-purpose project the production of power could be veiled as a secondary by-product of the flood control and irrigation aspects of the undertaking. President Roosevelt was, however, not so reluctant to express his views of the federal government's right to enter the power field. He justified federal incursion into the public utility business with a rather unorthodox view of federalism:

> I therefore lay down the following principle: That where a community, a city or county or a district is not satisfied with the service rendered or the rates charged by the private utility, it has the undeniable right as one of its functions of home rule, to set up, after a fair referendum has been taken, its own governmentally owned and operated service. That right has been recognized in most of the states of the Union. . . . I would apply the same principles to the federal and state governments.[9]

So the desire to provide cheap power to the people of the Tennessee Valley was accompanied by the determination to force the private power producers, under threat of federal competition, to bring their rates down to a "reasonable" level.[10]

> The right of the federal government to go further and to transmit [electric power] and distribute where reasonable and good service is refused by private capital gives to government, viz., the people, that same very essential "birch rod" in the cupboard.[11]

Thus, the "yardstick" concept was developed, providing in the costs of producing power by public plants a standard for "reasonable" rates by private power companies.[12] Thus, while unable to regulate directly the rates of intrastate power, the federal gov-

[9]Roosevelt, "Declaration of Policy," 13 *Cong. Dig.* 235 (1933).

[10]This is a novel strategem. Unable to regulate intrastate power, the federal government holds the ominous threat of direct competition over the heads of private industry. This activity would appear to be a deprivation of property without due process of law since every threat of illegal federal entry into the public power field lowers the value of the stockholders' investment in the private companies. In *Tennessee Power Co. v. TVA*, 306 U.S. 118 (1939), the Supreme Court did not consider this point, merely holding that no private company has a right to be free from competition. But does not a private company have a right to be free from competition by the government not authorized by the Constitution and which enjoys such prohibitive competitive advantages over private power companies that any such competition will seriously damage the private investment?

[11]Roosevelt, supra note 9.

[12]So long as the federal power projects enjoy the benefits of freedom from taxation and from payment of interest on its

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ernment has found a means of indirectly achieving the same forbidden result by threatening to compete with the private companies.

A Burdensome Bonanza

The result of the utopian experiment in the Tennessee River basin has been a bonanza of cheap power for the residents of that area, a bonanza financed largely by the taxpayers of the entire country. The total investment of United States Treasury funds in the power facilities of the TVA to June 30, 1958, was $1,441,520,896. In that period, payments to the Treasury totaled $250,131,519, leaving a balance of $1,191,389,377, which was borne from the general taxes of the nation.[13]

In view of this tremendous burden upon the general taxpayers, the advocates of such projects attempt to show that they are economically justified. Unfortunately, the two primary methods used are of questionable validity.

1. *Allocation of Construction Costs.*

In a multiple-purpose project such as the TVA, some of the aspects of the project, such as flood control and navigation improvement, are not expected to produce revenue. Accordingly, by allocating a large proportion of the cost of the entire project to these nonreimbursable features, a large proportion of the operating and construction costs of the project must be borne by the taxpayers.

The theory is that the large dam constructed, we will say, primarily for irrigation, will be of considerable benefit for hydro power, navigation, and flood control so that under the multiple-purpose title sizeable percentages of the costs are charged off to these other three purposes, materially reducing the cost left to be charged against the irrigation project. Since no cash return to the Treasury is contemplated in government expenditures for navigation and flood control, this furnishes a very convenient method of bookkeeping, making it possible to justify on paper an irrigation or a power project that could not stand on its own economic feet.[14]

Since many construction features of a multiple-purpose project serve more than one function, it is difficult to ascertain clearly how much of the total cost should be allocated to any particular aspect. The result is a wide, unchallenged latitude for manipulating

funds, and so long as allocative devices permit the large part of power costs to be borne by the taxpayers, the costs of public production of power cannot serve as a realistic "yardstick" for "reasonable" production costs of private companies.

[13]Tennessee Valley Authority, *Financial Statements*, p. 5 (June 30, 1958).

[14]Isaac Walton League of America, *A National Water Power Policy*, p. 7 (1945).

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the costs of construction; by allocating a small portion of the cost to power, the power portion of the project might appear economically justifiable, while in reality the burden of the power function was being financed by the taxpayers under the guise of supporting one of the other nonreimbursable functions.

If the allocations of construction costs to nonreimbursable features like flood control are heavy, the reimbursable features like power and irrigation need not produce such large revenues in order to warrant construction.[15]

2. *Cost-Benefit Relationship.*

Another method used in an attempt to show that a project is economically justified is to compare average annual costs with the estimated average annual benefits. The primary difficulty with this procedure is that it is based on, not the actual revenues which the project will earn, but on the theoretical benefits which will accrue to the entire society as a result of the project. In this calculation, very nebulous considerations are given weight. Irrigation benefit, for example, represents the estimated increase in production on the land to be irrigated. Flood control benefit represents the savings in property values attributable to the decrease in flood damage. Navigation benefit is computed on the basis of the estimated saving to the national economy from water transportation when compared with the cost of equivalent transportation at higher rail or truck rates. It is not surprising that, with such a vague standard, susceptible of almost any interpretation, such a large number of proposed projects are deemed economically feasible.

An interesting example of this method was provided by the justification of the Missouri River Basin project. Of an estimated annual benefit of $168,306,000, only $25,091,000 was expected to be in the form of gross revenue available for the payment of costs.[16] The taxpayers must gain most of their return in the form of emotional satisfaction at the gratuitous benefits they are providing to the people of the recipient area.

TVA is also benefited by the advantages which its privileged position affords in its competition with private companies. These benefits, in effect, are made possible by the higher taxes and interest rates which the private companies must pay and, consequently, much of the burden of cheap power is

[15] Roberts, *Certain Aspects of Power Irrigation and Flood Control Projects* (Report prepared for The Commission on Organization of the Executive Branch of the Government, January 1949), p. 18.

[16] *Ibid.* at 23-26.

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borne by the stockholders of the private power companies. In the year ending June 30, 1958, the TVA made payments to the United States Treasury in lieu of taxes amounting to $5,271,907. This amount, an all-time high, was equal to 2¼ per cent of the total operating revenues.[17] The private competitors, on the other hand, had to pay much more in taxes. The Southern Utilities Company, one of the leading nearby private power companies, paid taxes amounting to 21.3 per cent of its gross revenues, including a 14 per cent provision for the federal corporation income tax. Middle South Utilities paid taxes totaling 23.7 per cent of its gross revenues. In addition to its tax advantages, the TVA has the additional good fortune to be free from the obligation of paying interest on the Treasury's investment in its operations. A small proportion of the Treasury's investment, less than 1/20 of the total funds supplied, was in the form of bonds with interest rates varying from 2 per cent to 2½ per cent. The last of these bonds was retired in 1956 and since that time no interest has been paid. On $1,376,448,396 – over 95 per cent of the Treasury's investment – no interest whatsoever has been paid.

In its approach to the power industry, the federal government has tied both hands behind the back of private power, bought public power a set of diamond-studded brass knuckles with the general tax funds of the country, and benevolently sat back to enjoy the fight.

3. THE MISTAKE

If the whole legislature should attempt to overleap the bounds, I, pointing to the Constitution, will say to them, "Here is the limit of your authority; and hither shall you go, but no further."

GEORGE WYTHE

IN THE ATMOSPHERE of alarm which gave it birth and in the wide, public adulation which accompanied its sweeping reforms, the New Deal could easily afford to evade the embarrassing questions about political philosophy. But now the panic is long past; no valid excuses remain to lure us from a frank examination of the public power program of the New Deal. And political philosophy must be given its proper place at the center of the discussion. We

[17] Tennessee Valley Authority, supra note 13, at 11.

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can understand, if not forgive, the abandonment of political philosophy as a criterion of public action in a time of great public agitation. But when normalcy has returned, the programs which arose when minds were motivated by the prevalent fears and compulsions must be re-examined in the light of the basic constitutional framework of the nation.

In 1816, John Marshall sounded a basic principle of this federal system:

> The government of the United States can claim no powers which are not granted to it by the Constitution; and the powers actually granted must be such as are expressly given, or given by necessary implication.[18]

Questionable Constitutionality

It seems painfully obvious that nowhere in the United States Constitution is the federal government given the power to engage in the production of electrical power. If such an exercise of power by the federal government is, indeed, unconstitutional, it would seem essential that it be declared so immediately. Otherwise, a radical alteration of the basic constitutional concept of limited governmental power would be achieved without interference.

In the first case involving the constitutionality of federal sale of electrical power, *Ashwander* v. *Tennessee Valley Authority*,[19] the sale of power produced by Wilson Dam in Alabama was upheld as a valid sale of surplus power created by the multiple-purpose operation. Even if the production of power was not a primary purpose of the Wilson project, it has consistently been a primary aim of much of the Tennessee Valley project. In view of the "yardstick" doctrine, the professed design to force down the prices of private power, and the construction of steam power plants with no necessary relation to multiple-purpose projects, the question of the constitutionality of federal power production remained a burning one. In only one other case, *Tennessee Power Co.* v. *Tennessee Valley Authority*,[20] was there a clear opportunity for the Supreme Court to rule on this vital issue. The Court passed up the chance. Instead of facing this fundamental question, the Supreme Court held that the complaining private power companies had no right to be free from competition and, consequently, had no standing to sue. By thus evading determination of this question, the Court left the federal government free to pursue

[18] *Martin* v. *Hunter's Lessee*, 1 Wheat. 304, 305 (1816).

[19] 297 U.S. 288 (1936).

[20] 306 U.S. 118 (1939).

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its most questionable activity in the public power field. When Congress exceeds its constitutional powers and no one points to the Constitution and says "no further," the Constitution has died in that area. The experimental zeal of Roosevelt and the New Deal, swept on by the temper of the people, gave to the federal government a whole new role as planner and arranger of the public welfare. When the Supreme Court turned away and let the people experiment undisturbed, Constitutional government gave way to unrestrained majority rule.

There are many who say, quite frankly, that this type of government is preferable to constitutional government. The Constitution, they would contend, must change with the temper, the demands of the times. But those who counsel mutability forget that change, in itself, carries no criterion for distinguishing wise from unwise innovations. The Constitution may, in certain cases, be adapted to new situations unforeseen by the framers, e.g., the Commerce clause, the due process clause. But to make the Constitution a mere chameleon, fluctuating with the temper of each new generation, would destroy the framework of permanence and stability which protects the security of all members of the community and makes all change meaningful. Accordingly, permitting the Congress to create the TVA in the absence of constitutional authorization was not only an abdication of the duty to hold the legislature within its bounds, but an offense against the basic American philosophy that the only secure foundation for a permanent society is a limited federal government bound by the law.

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THERE never was anything wrong with American capitalism that a purer conception of freedom couldn't cure, and Europeans – at least some Europeans – are at last catching on to the fact. Here we have Massimo Salvadori, a continental European who teaches at Smith and Bennington, writing *The Economics of Freedom: American Capitalism Today* (Doubleday, 242 pp., $4.50). Salvadori likes what he sees in this country, and, as part of his campaign to mollify European critics, he calls it "people's capitalism." Father R. L. Bruckberger, a French Dominican priest who spent eight years in America, also likes our economic system and says so in his stimulating *Image of America* (Viking, 288 pp., $4.50). But he thinks capitalism has a bad name that will never be eradicated by any adjectival medication. His proposal is to speak of the American economic system as a "third choice."

Salvadori's book comes to us with an introductory commendation by Adolf A. Berle, Jr. Father Bruckberger's essay is vouched for in a foreword by Peter Drucker. Berle, who once thought that the big corporations would take us all captive, is a recent convert to the view that countervailing forces can be counted on to force a "corporate conscience" on Big Business. As for Drucker, he has always believed that the American Revolution was, in reality, a counterrevolution carried out in the name of ancient English freedoms against the growing despotism of eighteenth century European monarchs.

The intelligence brought to bear on these books by their sponsors is, then, quite in line with a bur-

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geoning recognition in many quarters that social systems which do not honor the "primacy of the person" (Drucker's phrase) in all realms, the economic included, must become intolerable. This shift in the intellectual weather is all to the good. It is, however, a question whether the new proponents of economic freedom really understand the full implications of what they are talking about. Let us see.

Does History Justify "New Deal"?

Salvadori is perfectly sound in most of his history and most of his generalizations. He knows that any comparative audit of systems must prove socialism to be inferior in all respects to capitalism. He commends Bradford Smith for saying, in 1957, that "all Marx's dire predictions about capitalism have been reversed . . . . the level of living for workers has risen, their hours have been shortened, income has been more evenly distributed, agriculture is being subsidized instead of exploited. . . ." He realizes that capitalism in America has been more creative than its parent system in England. He speaks of profit as "the spark plug which keeps the motor running"; he is all in favor of the market mechanism; and he treats consumption as the main purpose of the economic process.

Surely, such thinking is on the side of the angels. One may read all of Salvadori's book, however, without encountering any real attempt to understand the social forces of the past thirty years in America as they have affected the "economics of freedom." "The Square Deal and the New Freedom," says Salvadori, "were followed by the New Deal which, moderated and reformed in the postwar period, has become the American Deal." But is it a sound "deal" when a third of the people's total income is taken by government to be handed back to favored groups in accordance with the pressure generated by the push-and-pull of those who are most skilled at the game? Is it a sound deal when one segment of labor (that of the tightly organized mass industries) is granted the political power to raise its wages at the expense of other segments of the working classes? Is it a sound deal when a small businessman in, say, Utah is kept from expanding his factory because tax money is needed to provide foreign aid for a semisocialist government in India?

Salvadori is personally willing to accept a good deal of government intervention in the economy on the ground that it reduces the tensions of life. He does not see that for every tension that is less-

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ened by government action, another one is created. (Satisfaction because of increased "security" is negated by dissatisfaction with a decrease in take-home pay.) Nor does Salvadori see that the cumulative effect of interventions is to create a general feeling that no one has rights that need be respected or duties and obligations that one should be expected to fulfill.

Security Lost Through Inflation

A steadily augmenting social security program may, theoretically, reduce the "tension" of fearing the onset of old age. But when social security is paid for out of inflation, it does not really alleviate any fear. Meanwhile, when government promises to take care of the elderly, children may drop the problem entirely. It is no longer incumbent upon them either to help their own parents or to save for themselves. By relieving them of "strain," then, the government has also relieved them of the necessity of decision. At some cumulative point, interventionism must serve to create a society that is incapable of the practice of any significant freedoms at all.

No doubt Salvadori's answer to this would be that Americans still have plenty of scope for the practice of freedom as long as two-thirds of the rich fruits of their energies are left in their own hands. In a world of steadily increasing productivity, he might say, the government's percentage of a "take" can be expanded without hurting anybody. But if Colin Clark is right, an expanding tax take must have its adverse effect on the very nature of productivity itself. Salvadori seems not to recognize the problem in its American guise. Yet it is surely important to "the economics of freedom."

Father Bruckberger's *Image of America* is like Salvadori's book in that it begs the question of the New-Fair Deal. As an explanation of pre-1932 American development, set down for a European audience, *Image of America* is generally excellent. It explains how the consumer came to take command over the American productive system. It recognizes the role that innovation plays in keeping the American corporation trim and happy without reaching for cartel status. It appreciates the importance of the penny economies that can result in high wages, large profits, and low prices once a "break-even" point has been passed.

Men and Ideas

Father Bruckberger has a neat trick of driving his meaning home by use of contrasting personali-

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ties. He dramatizes the difference between the American and the French Revolutions by setting off Thomas Jefferson, who urged Lafayette to accept a limited monarchy, against Saint-Just, who tried to terrorize everybody into republican virtue. He juxtaposes Sam Gompers, whose program for American labor was "more," and Lenin, who wanted "everything or nothing." And he uses the half-forgotten American economist, Henry Carey, an optimist, as a battering ram against Ricardo, who was gloomy about the ability of either the worker or the capitalist to keep the devouring landlord from seizing all the benefits of progress.

If Profits Are Taxed Away?

Henry Ford occupies a key position in Father Bruckberger's book, which is quite as it should be. But if Ford was right about the need for high plow-back of profits into efficient machinery, low prices, and a low over-all cost of labor gained by the seemingly paradoxical device of offering a high individual incentive wage, then surely Father Bruckberger is wrong in his refusal to worry about a high-tax or a high-inflation economy. Profits can't be plowed back when the government takes them; low prices can't be maintained when taxes account for a third of the retail cost of a car. And high wages tend to become meaningless when they are eaten up by inflation and by steadily mounting payroll deductions for a whole slew of things which the worker may or may not want.

Father Bruckberger says the Ford system wasn't "capitalism"; Massimo Salvadori, on the other hand, thinks it foreshadowed "people's capitalism." But these are semantic quibbles, entered in the record for the sake of good "public relations" with countries that are jealous of America's power and resentful of British and French "colonialism." The truth of the matter is that capitalism, in Europe, has always been saddled with feudal hangovers. It has had its real development in the United States. Why, then, should it be rejected as a name when the real problem is to explain it for what it is, a system under which a man can get the most for his efforts? • • •

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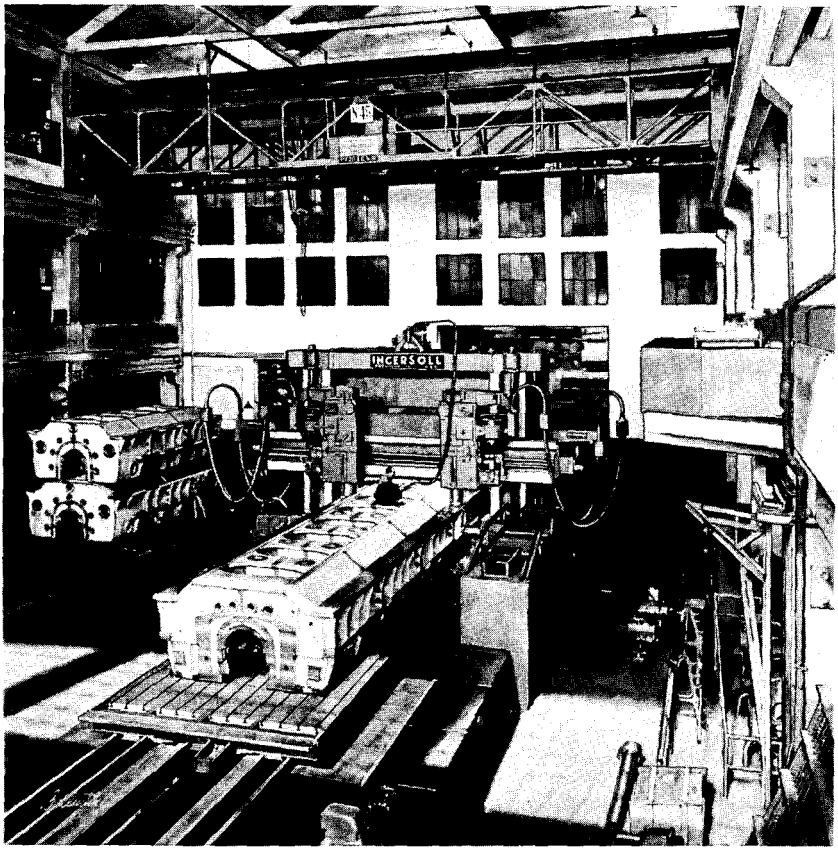

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WHO KEEPS THE "PUBLIC POWER" BALLOON INFLATED?

Public opinion polls show that most Americans are not in favor of more federal "public power." They don't want the federal government to go deeper and deeper into the electric light and power business. They'd rather have the independent electric companies handle the job.

What keeps the "public power" issue alive is certainly not the American public — it's a handful of lobbyists and pressure groups.

Already, $5,500,000,000 in tax funds have gone into federal "public power." This puts into government's hands about 1/6th of the electric industry's power production. And the lobbyists are pressing for some $10,000,000,000 *more.*

This money would be spent unnecessarily. The many independent electric light and power companies are able and ready to supply all the low-price electricity the nation will need — *without* depending on taxes.

Heavy taxing to put the federal government into the electric business goes on only because most people don't realize they are paying for "public power." But it can be stopped by informed citizens.

Will *you* help spread the word?

America's Independent Electric Light and Power Companies

Company names on request through this magazine

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IDEAS ON LIBERTY

If I were responsible for preserving competition in the United States, I should not turn to the antitrust laws for help. The common law affords all the legal action needed, and its great merit is that people in significantly similar legal circumstances have to be treated the same way. Politics are excluded.

A long step toward preserving or restoring competition in this country could be taken by abolition of the discriminatory, anti-capitalistic, progressive income tax, which skims off the cream of the risk capital – takes the ammunition away from the competitors. . . .

Another plank in my platform to preserve competition in the United States would involve repeal of the laws which have granted so many special privileges and exemptions to labor unions and other pressure groups.

From the article, "Do Antitrust Laws Preserve Competition?" by Sylvester Petro in *Essays on Liberty*, Vol. V. Irvington-on-Hudson, N. Y.: Foundation for Economic Education. 445 pp. $2.00 paper, $3.00 cloth.

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